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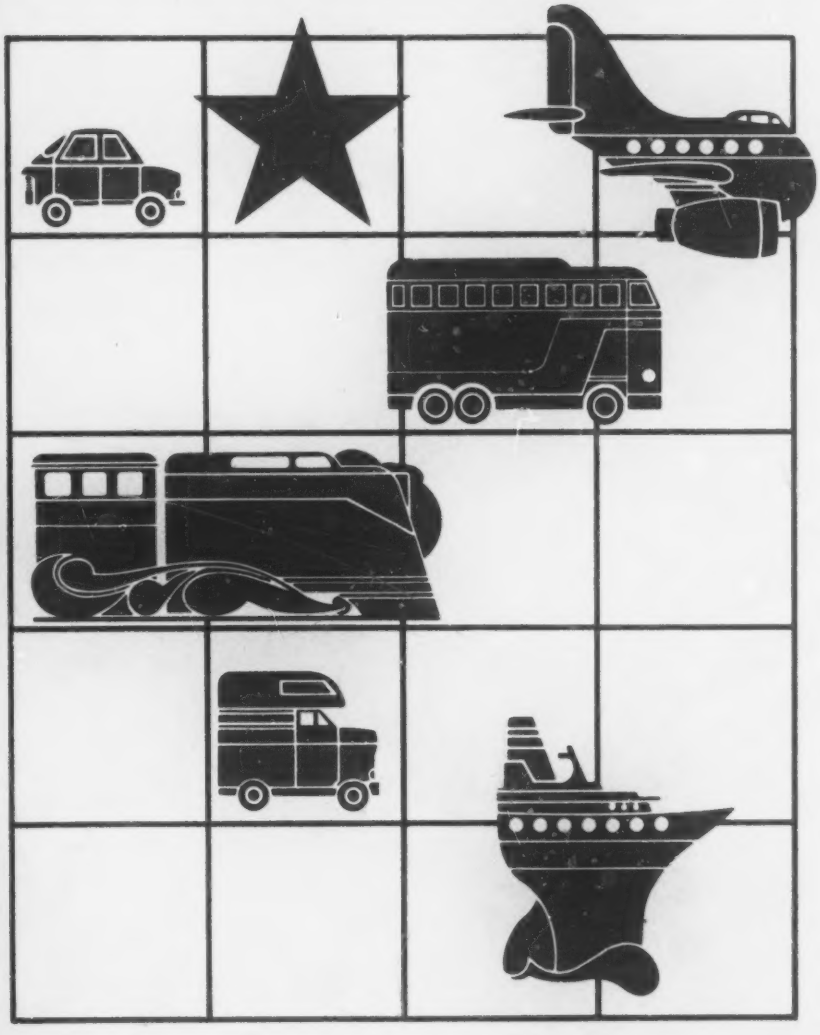
The 1989-90 Economic Review of Travel in America



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The U.S. Travel Data Center is an affiliate of the Travel Industry Association of America

THE 1989-90 ECONOMIC REVIEW OF TRAVEL IN AMERICA

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An Affiliate of the Travel Industry Association of America

The United States Travel Data Center is the national, nonprofit center of travel and tourism research. Since its establishment in 1973, the Data Center has devoted itself to advancing the common interests of travel industry and the public it serves by encouraging, sponsoring and conducting statistical, economic and scientific research concerning travel, the travel industry and travel-related industries. In pursuit of this objective, the Data Center gathers, analyzes, publishes and disseminates the results of such research, and cooperates with all government agencies, private industry and academic institutions with similar purposes and objectives.

The U.S. Travel Data Center is an affiliate of the Travel Industry Association of America (TIA), the national, non-profit association presenting all components of the United States travel industry, the third largest retail industry in the nation.

Dr. John Hunt, Chairman

Dr. Suzanne D. Cook, Executive Director

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PREFACE

This report is designed to be a basic reference on the role of travel activity and the travel industry in the American economy. It is hoped that this report will improve understanding of one of the most ubiquitous activities and dynamic industries in the U.S. today.

Many have contributed information and insights that have assisted drafting of this report, and we express our thanks. In particular, we are grateful to Don Wynegar of the U.S. Travel and Tourism Administration, Dr. George W. James of Airline Economics, Inc., Randell Smith of Smith Travel Research, and William Evans of Laventhol and Horwath for providing data.

This report was written by Dr. Douglas C. Frechtling, Consulting Economist to the Data Center. David A. Cruz, Economic Analyst, collected and verified the tables of data contained in this report.

U.S. Travel Data Center
Washington, D.C.
July, 1990

EXECUTIVE SUMMARY

- U.S. and foreign travelers spent $350 billion in the America during 1989, seven percent more than in 1988. This equaled 6.7 percent of the gross national product.

- Travel spending in America directly generated 5.8 million jobs in 1989, paying nearly $74 billion in wages and salaries and producing $43 billion in federal, state and local tax revenue.

- If viewed as a single retail industry, the travel and tourism sector is the third largest retail industry in business receipts, after automotive dealers and food stores.

- Travel industry sales grew as fast as GNP in 1989, but with inflation removed, industry receipts rose more slowly than real GNP.

- In 1989, common carriers' share of total intercity passenger-miles fell for the second year in a row as auto travel accelerated.

- Led by rising gasoline prices, overall travel prices rose 5.3 percent over 1988, more rapidly than the Consumer Price Index for the second year in a row.

- Travel industry employment grew only 2.5 percent in 1989, the smallest increase in six years and slower than growth in overall employment.

- Petroleum consumed in traveling away from home in the U.S. fell slightly in 1989 and accounted for only 10.5 percent of U.S. petroleum consumption.

- Foreign visitors to the U.S. numbered 38 million in 1989, up 12 percent from the previous year. According to revised estimation procedures, their expenditures here totaled $34 billion and generated 570 thousand jobs.

- U.S. travelers to foreign countries numbered 41 million, up only one percent; their spending increased seven percent to $34 billion.

- U.S. travelers spent more in the South Atlantic region in 1989 than any other region, but the Mountain region was the most dependent upon tourism for economic support.

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I. INTRODUCTION

This is the eighth annual report on the role of travel and tourism in the American economy prepared by the U.S. Travel Data Center. It is designed to review current economic characteristics of travel away from home, developments in the U.S. travel industry, and the effects of recent economic changes on travel and tourism.

The report is based on two key premises. The first is that travel and tourism makes a significant contribution to the size and growth of the U.S. economy and is a mainstay for many regional economies. The second is that changes in personal income, rates of price inflation, international exchange rates, fuel prices and availability, and government tax, expenditure, and regulatory policies affect travel's contribution to America's prosperity and lifestyle.

The information in this report has been gathered from the best objective sources available and analyzed with an eye to clearly portraying the experience, prospects, and challenges of travel and tourism in America. It is published in the spirit of assisting the industry and others to understand the public interest in travel and tourism.

A realistic appreciation of travel's strengths and vulnerabilities helps guarantee that travel will contribute as much or more to America's growth and well-being in the years ahead as it has in the past.

Travel

The subject of this report is travel away from home by American residents and foreign visitors. Over the years there has been considerable discussion of the appropriate definition of this activity. After careful study of alternative definitions, the Data Center Board of Trustees in 1985 adopted the following definition of "domestic traveler":

> any resident of the United States regardless of nationality who travels to a place 100 miles or more away from home within the U.S. or who stays away from home one or more nights in paid accommodations and who returns home within twelve months, except commuting to and from work or attending school.

This definition closely follows that recommended by the World Tourism Organization (WTO) for domestic travel. The Data Center has also adopted the WTO definition of "international traveler":

> any person visiting a country other than that in which he (she) has his (her) usual place of residence, for not more than one year, and whose main purpose of visit is other than following an occupation remunerated from within the country visited, staying at least 24 hours, but not more than one year in the country visited.

These definitions and the related terms in Appendix B have also been endorsed by the Travel Industry Association of America.

In practice, studies by various organizations over the years have incorporated different definitions of "travel away from home." These include "trips to places 100 miles or more away from home," "overnight stays away from home," and "crossing of a county border." The data on travel activity presented in this report reflect these differences but have been chosen to approximate the Data Center's definition as closely as possible.

The word, "tourism," is used sparingly in this report. While it is often used to denote travel away from home in many parts of the world, in American parlance it connotes travel for pleasure only. When the term does arise herein, it is as a synonym for travel away from home, to emphasize that we are interested in activity away from home, rather than local trips and associated behavior.

The Travel Industry

The travel industry has been described, half facetiously, as a collection of diverse products sold by a fragmented industry to segmented markets through a complex distribution chain. This suggests the complexity of the industry and the difficulties of describing it.

The travel industry is not concentrated in definite areas of the country or characterized by large plants with towering smokestacks. Instead, it comprises the airline terminal in the suburbs, the restaurant in town, the highway motel, the travel agency down the block, and a host of other businesses that do not even recognize their dependence on tourism since visitors are usually indistinguishable from local customers.

It is not surprising that government officials, business executives and the public have been slow to grasp significance of travel away from home and the industry that has developed to serve it. Indeed, many in the travel industry do not fully comprehend the nature of travel's economic contributions. How much more difficult it is for others, often

in position to influence the course of travel and prospects for the industry, to appreciate the significance of tourism.

Businesses are commonly grouped together into industries by the type of product they produce, as in the U. S. government's Standard Industrial Classification (SIC) system. The steel industry produces steel, the hotel industry, lodging, and so on.

Travelers away from home, however, patronize a number of different industries as conventionally defined. They purchase public transportation, gasoline, food, lodging, entertainment, recreation, and countless incidental goods and services. U.S. businesses sell these items to travelers and to local residents and to nearby business firms as well.

For this reason, we cannot distinguish the "travel industry" as a collection of firms that sells only to travelers. We can, however, develop a spectrum of types of businesses according to their dependence on traveler purchases for their receipts.

In the U.S., the Data Center defines "primary travel-related businesses" as those establishments that depend directly upon traveler expenditures for more than one-third of their total sales receipts. This group includes intercity bus, rail and air passenger carriers; eating and drinking places; hotels, motels and motor hotels; campgrounds and transient trailer parks; car rental firms; and amusement and recreation services. By charting trends for this group of businesses, we can infer conditions in the travel industry as a whole.

Unfortunately, data are not readily available on all of these travel industry sectors. The reader will note that the components making up the travel industry in this report may change from one section to another, depending on the statistics available. However, we feel that the data do indicate generally how the travel industry is faring and how it is contributing to the U.S. economy.

Automobile travel, including that by auto, truck, recreational vehicle, and motorcycle, comprises 60 percent to 80 percent of all travel away from home in this country, depending upon whether passenger-miles or passengers are measured. The type of business that best represents this transportation activity is gasoline service stations. However, traveler expenditures on auto transportation comprise only about 20 percent of total sales of these establishments.

Consequently, we have elected to exclude gasoline service stations from the collection of businesses representing the travel industry in this report. By so doing, we exclude businesses representing a large sector of travel activity but improve our chances that the travel industry described herein actually represents travel-related business developments.

The size and course of the travel industry so defined in this report do not necessarily represent the economic impact of travel and tourism. This economic contributions of travel occur as residents and nonresidents *travel away from home* and spend money on goods and services in the U.S. Consequently, this impact, whether measured in consumer expenditures, business receipts, wage and salary income, or employment, necessarily differs from the simple sum of these measures of the businesses that comprise the travel industry.

Traveler expenditures on air transportation fall short of total airline receipts by the amount airlines earn from cargo transportation and other non-passenger related income, for example. As another example, eating and drinking place receipts vastly exceed traveler spending on prepared meals by the amount sold to local residents. And, as mentioned above, certain categories of traveler spending, such as for gasoline and souvenirs, are not included in this report's measure of travel industry developments.

Consequently, those who seriously study the course of travel and its economic contributions should beware of simply following the receipts, payroll and employment of some collection of industries. This will prove to be a misleading picture of the impact of travel away from home.

While the individual activities and types of businesses included in this report are quantified, the charts and analysis focus on travel and the industry that services it as a whole, rather than on its component parts. This is a consequence of the view that travel away from home is a distinctive human activity, requiring a variety of goods and services. The consumption of these goods and services makes the establishments which provide them necessarily interdependent. People who travel need a mode of transportation, a place to visit, shelter, and food. Oftentimes, they demand entertainment, recreation, and other items as well.

In a very real sense, we would not have hotels without transportation, nor would people travel without a place to stay. Similar interdependence among other traveler activities can be easily identified. Consequently, we feel travel and the travel industry is best viewed in its entirety and attempt to emphasize this perspective. Readers interested in examining an individual sector of the travel industry, such as hotel/motel lodging or air transportation, will find such information in this report. However, they are directed to the individual trade associations for more complete coverage.

A traveler's purchase from a retail business begins a productive economic process that stretches through wholesale, manufacturing, extractive, transportation and service firms. There are indications that this secondary, or "multiplier," impact of such a purchase can dwarf the direct impact on the travel-serving retail business.

However, this report concentrates on the direct impact of travel and tourism on the U.S. economy. This is not to say that the secondary impact is unworthy of review but that the data here are not nearly as well-developed. It is hoped that future editions of this review can include sound estimates of the multiplier impact of travel expenditures in the U.S. as well as the direct effects.

Organization of the Report

The review is organized in eight chapters. Recent developments in travel activity along with current industry trends placed in the perspective of the last decade are discussed in Chapter II.

Chapter III presents a discussion of travel price inflation. Chapter IV focuses on the unique ability of the travel industry to create jobs.

Chapter V highlights the dependence of travel on petroleum fuel supplies and emphasizes the relatively small share of energy consumption attributable to the activity.

Chapter VI presents a discussion of international travel trends and their effect on the U.S. Chapter VII surveys regional trends in travel.

Chapter VIII provides an overall assessment of the relationships between travel and the U.S. economy demonstrated in the past and expected in the future.

The appendices provide background information essential to the report. Appendix A presents the base data used for calculating the charts included in the previous chapters. Appendix B presents the standard terminology for statistical reporting adopted by the Data Center's Board of Trustees in December, 1985. Appendix C is a list of sources used in the preparation of this report.

Please note: Some of the 1989 estimates herein are preliminary and subject to change. And in tables, detail numbers may not add to the totals due to rounding.

II. TRAVEL ACTIVITY AND INDUSTRY TRENDS

The U.S. economy posted its seventh consecutive year of economic growth in 1989, the longest peacetime expansion in history and the second longest of all. The nation's output of goods and services and employment increased but at slower rates than the year before. (Table II-1)

Corporate profits actually declined for the year, but personal income grew faster than the year before. Consumer price inflation accelerated, continuing the pattern begun two years earlier. But the rise in personal income exceeded the consumer price increase by more than four percentage points for the largest increase in real personal income since 1983.

Table II-1: Overall U.S. Economic Developments, 1982-89
(compound annual rate of change)

	1989	1988	1982-89
Nominal GNP	7.2%	7.9%	7.4%
Real GNP	3.0	4.4	3.9
Personal income	8.9	7.6	7.5
Corp. profits after tax	-4.7	18.9	6.1
Consumer price index	4.7	4.1	3.6
Payroll employment	2.8	3.3	2.8

Source: Federal Reserve Bank of St. Louis

The current economic expansion showed evidence of its longevity in 1989 as the growth in output and jobs slowed, corporate profits fell and price inflation accelerated. The economy was battered by a number of disruptive events: Hurricane Hugo in September, the California earthquake in October, the Boeing Company strike in October, and exceptionally cold weather throughout most of the nation in December.

Nevertheless, 2.5 million new jobs were created and the unemployment rate fell to levels not seen since the early 1970s.

1990 Economic Outlook

Most economists expect the economy to avoid recession in 1990 and surpass the previous postwar record for a business expansion (106 months). Table II-2 summarizes the changes in key economic variables that affect travel away from home in 1990 according to a consensus of economic forecasters.

Table II-2: Overall U.S. Economic Developments, 1989-90
(annual rate of change)

	1990f	1989
Nominal GNP	6.3%	7.2%
Real GNP	2.0	3.0
Personal income	7.0	8.9
Corp. profits after tax	-1.5	-4.7
Consumer price index	4.7	4.8
Payroll employment	2.6	2.8

f = forecast
Source: U.S. Travel Data Center and Blue Chip Economic Indicators

For the most part, economic gains in 1990 will be smaller than in 1989. One area of concern is the decline in corporate profits. While a minor part of economic activity in themselves, corporate profits affect capital spending on new plant and equipment by generating funds for investment. And capital spending can sustain economic advance if the consumer falters. Moreover, this spending is an important source of economic growth through its impact on labor productivity.

Profits have generally been squeezed as companies have been unable to pass cost increases along to consumers in slack or competitive markets. A key example is the airline industry which could not raise fares fast enough to compensate for fuel price increases in the fourth quarter that cost airlines $700 million more. As a result the airline industry sustained its first quarterly loss since 1986 in the fourth quarter.

While energy prices have moderated since, rising wages and slowing demand will squeeze corporate profits further in 1990, restraining new investment and business expansion.

The remarkable U.S. economic expansion is expected to slow in 1990 but not die. The slowdown will actually restrain inflation by preventing the economy from pushing against its productive limits. In sum, economic developments expected in 1990 will not hinder the growth of travel away from home, but neither do they offer the prospect of boosting travel above its long-term trend.

Travel Activity

Natural and manmade disasters hampered travel in America during 1989. Eastern Airlines filed for bankruptcy and drastically curtailed flight schedules after mechanics and pilots struck in March. The *Exxon Valdez* tanker ran aground in Prince William Sound, Alaska, curtailing oil shipments and raising prices while discouraging tourism to that area.

In September, Hurricane Hugo struck the Carolinas and the Caribbean, destroying several resort areas. A major earthquake devastated San Francisco in October, while remarkably cold weather in December crimped travel plans at the end of the year.

On the other hand, events favorable to tourism were the opening of the Disney-MGM Studios Theme Park in Orlando and the reduction of political barriers to travel to and from Eastern Europe.

Table II-3: U.S. Travel Away from Home for Selected Purposes or Occasions, 1987-89 (millions of person-trips)

Purpose or occasion	1989	1989/88 change	1988/87 change
Total	1,260	1.5%	3.5%
Vacation	878	4.5	7.2
Business/convention	232	11.5	2.9
Visit friends/relatives	479	12.4	-2.5
Entertainment/recreation	466	-8.4	8.0
Weekend	582	1.0	0.2

Note: Categories overlap and do not add to total.
p = preliminary
Source: U.S. Travel Data Center

In response to these and the continuing rise in overall economic activity, travel away from home grew in 1989 for the fifth consecutive year. As indicated in Table II-3, U.S. travel away from home as measured by the Data Center's National Travel Survey in "person-trips" (one person on a trip to a place 100 miles or more away from home) increased marginally in 1989. Total person-trips for all purposes surpassed 1.2 billion, the highest level recorded in the eleven years of the survey.

After declining in 1988, trips to visit friends and relatives increased 12 percent, more than any other category shown. Business/convention trips grew considerably as well.

Trips for entertainment, sightseeing and outdoor recreation declined in 1989 after several years of marked growth. Overall vacation trips again grew three times as fast as overall travel away from home, and weekend trips grew considerably faster than the previous year.

Despite the increase in trip volumes, travel measured in nights away from home fell in 1989 for the second year in a row. (Table II-3) Average trip duration dropped from 4.3 nights away from home to 4.1.

Table II-4: U.S. Nights Away from Home for Selected Trip Purposes and Occasions, 1987-89 (millions of person-nights)

Purpose or occasion	1989	1989/88 change	1988/87 change
Total	5,166	-1.5%	-3.2%
Vacation	4,128	3.0	13.3
Business/convention	766	4.6	2.9
Visit friends/relatives	1,954	8.7	-2.5
Entertainment/recreation	2,065	-13.7	7.9
Weekend	1,572	4.9	0.2

Note: Categories overlap and do not add to total.
p = preliminary
Source: U.S. Travel Data Center

The overall decline in duration was a product of shorter trips for all of the categories shown, except weekend trips and business/convention travel. By their definition, weekend trips cannot show more than minor changes in duration over the years.

The durations of trips for personal reasons -- vacation, visiting friends/relatives, sightseeing/recreation -- have shown an interesting pattern this decade. Average nights away from home on these trips rose steadily from the recession years of 1980-82 and peaked in 1985. Overall durations reached an average of five nights per trip that year, and vacation trips topped 5.7 nights.

Since then, however, personal trip durations have trended steadily downward. Vacation trips now show the shortest durations in this decade (4.7 nights), and visit friends/relatives travel has fallen to 4.1 nights from its 1985 peak of 5.4 nights.

Explanations for this pattern may be found in employment trends. The proportion of Americans with jobs is at the highest level this century, putting a squeeze on time available for leisure travel. When both husband and wife hold full-time jobs, scheduling a week or two away from home proves quite difficult. Moreover, the explosive growth of resorts and other recreational opportunities near major population centers coupled with expanding airline capacity and discount fares for discretionary travel have encouraged and permitted Americans to take more trips in a year's time and spend fewer nights away from home on each.

Except for weekend travel, travel for all purposes is tending toward the average of four nights per trip. Vacations of two weeks or more still abound, but they are dwarfed by weekend pleasure trips and business travel. This trend will continue as multi-wage earner households grow and nearby leisure opportunities abound.

Travel Spending

U.S. residents spent $350 billion traveling away from home during 1989, up seven percent from the previous year, according to preliminary estimates. (Table II-4) Note that the estimate of U.S. traveler spending in foreign countries is considerably higher than earlier years. This is due to a revised series of international travel and transportation spending estimates adopted by the U.S. Department of Commerce (see Chapter VI for further discussion).

This travel spending averaged $1,400 per U.S. resident, and occurred at a rate of more than $660,000 a minute. Americans spent more on travel in 1989 than they did on clothing, accessories, jewelry, and personal care.

U.S. spending on domestic travel rose about the same rate in 1989 as it did the previous year. Travel spending barely outpaced U.S. spending on all goods and services (nominal GNP) and overall personal consumption spending in 1989.

Table II-5: U.S. Travel Expenditures, 1987-89
($ billions)

Location	1989p	1989/88 change	1988/87 change
On domestic travel*	$316	7.4%	7.3%
In foreign countries	34	6.5%	9.6%
Total	$350	7.3%	7.5%

*includes spending in U.S. territories
p = preliminary
Source: U.S. Travel Data Center, preliminary

U.S. travel spending in foreign countries posted the lowest rate of growth in three years and may reflect the strengthening of the dollar against several major foreign currencies during 1989.

A better indication of travel's contributions to the American economy is total travel spending in this country. Revised data indicate Americans spent about as much visiting foreign countries as foreign residents spent visiting the U.S. Consequently, total travel spending in the U.S. equals total U.S. travel spending here and abroad: $350 billion.

Table II-6: Travel Expenditures in the U.S., 1987-89*
($ billions)

Source	1989p	1989/88 change	1988/87 change
U.S. residents	$316	7.4%	7.3%
Foreign visitors	34	17.5%	24.3%
Total	$350	8.3%	8.6%

*includes spending in U.S. territories
p = preliminary
Source: U.S. Travel Data Center, preliminary

Foreign visitor spending in the U.S. grew at double-digit rates for the fourth year in a row. Continued economic expansion in major foreign nations, relatively mild U.S. inflation and a dollar still low in value against major foreign currencies has returned travel to the U.S. to within the means of many international travelers and boosted their

expenditures here. Indeed, foreign visitor expenditures here have risen by nearly 90 percent since the dollar peaked in value in 1985.

Foreign visitor expenditures accounted for less than ten percent of total travel spending in the U.S. during 1989. Consequently, despite the double-digit increase in foreign spending here, overall travel spending in the U.S. rose eight percent.

Traveler expenditures become sales receipts for travel-related businesses. Business receipts attributable to travelers suggest the magnitude of the "travel industry" in America. They allow us to view the travel industry in the perspective of size relative to other industries.

Such a comparison is not straightforward. One reason is that the U.S. Census Bureau does not publish annual sales data for all industries. Another is that retail industries cannot be fairly compared with wholesale, manufacturing, or extractive industries. Retail sales include the value of output of these businesses so the retail sales of a product will always exceed the value of the product's manufacture.

Finally, what is published as receipts for some sectors, such as health services, includes substantial government expenditures in the form of subsidies and administrative payments. Government policies directly determine the size of such industries rather than consumer or business demand.

The Census Bureau does publish consistent annual sales estimates for a number of retail industries. In Table II-6, these estimates are listed for the top four such industries in 1989.

Table II-7: Travel Business Receipts in the U.S. Compared to Major Retail Industry Receipts, 1989 ($ billions)

Industry	Sales
Automotive dealers	$378
Food stores	349
Travel and tourism	339
General merchandise stores	203

Source: U.S. Travel Data Center, U.S. Bureau of the Census; preliminary

The $350 billion spent on travel and tourism in the U.S. generated $339 billion in sales receipts after removal of retail sales taxes. This placed the travel industry in third place for the seventh year in a row, after ranking ahead of automotive dealers in 1982-83.

Sales of automotive dealers and food stores both advanced about 5.5 percent in 1989. Travel and tourism sales grew half-again as fast and continued to close on food store sales: travel receipts were 97 percent of food stores in 1989, up from 80 percent in 1981.

In terms of employment, travel directly generates more jobs than any other U.S. industry except health services (doctors, nurses, hospitals, laboratories, etc.). Travel activities directly provided more jobs in 1989 than total payroll employment in 15 states combined. The wage and salary income paid to these employees surpasses the combined payrolls of nation's steel and motor vehicle manufacturing industries.

Travel's Economic Impact

Travelers purchase goods and services, providing retail and service establishments with sales receipts. These receipts are used by proprietors to purchase the goods and services needed to serve the traveler. Labor, of course, is the major service that travel-related businesses purchase, generating wage and salary (payroll) income. During the process, tax revenue is generated for federal, state and local governments.

Table II-8 indicates how the $350 billion spent on travel in the U.S. during 1989 contributed to the national economy in terms of wage and salary income, employment, and tax revenue directly generated.

Table II-8: Measures of Travel's Economic Contribution, 1989 preliminary

Expenditures in the U.S.:	$350 billion
Contribution to business:	$339 billion in business receipts generated
Contribution to individuals:	$73.5 billion in wage and salary income generated for 5.8 million jobs
Contribution to governments:	$23.1 billion in federal tax revenues $15.0 billion in state tax revenues $ 4.8 billion in local tax revenues

Source: U.S. Travel Data Center; preliminary

Travel spending directly generated 2.8 percent of total U.S. wage and salary disbursements during the year, and 5.3 percent of U.S. nonagricultural payroll employment. This spending also contributed 3.6 percent of the combined tax revenue of federal, state and local governments for 1989.

During 1989, each dollar of travel spending in the U.S. generated 21 cents in payroll income, and 12 cents in tax revenue. Each $60,000 spent by travelers directly supported one job. Were the income and employment generated indirectly through the "multiplier" effect quantified, travel's contribution to the U.S. economy would appear considerably larger.

Travel expenditures touch a multitude of various types of businesses in the U.S. This variety and the predominantly small-business nature of these businesses can obscure the considerable benefits that accrue to U.S. residents in receipts, jobs and income. The estimates above help clarify the important role that travel and the travel industry play in the American economy.

Travel Industry Receipts

Travel expenditures in the U.S. generate receipts for at least 15 different types of businesses. For some of these businesses, such as Amtrak and hotels/motels, travel expenditures account for the vast majorities of their receipts. For others, such as general merchandise stores and gasoline service stations, receipts from travelers account for less than one-fifth of the totals.

In order to examine the course of the travel industry over the years, the sales of six types of businesses are aggregated and analyzed here. These businesses are distinguished by all owing at least one-third of their receipts to travel expenditures and by reliable time series data available from the U.S. Bureau of the Census and other national authorities.

By focusing on the changes in these aggregate receipts, we can obtain a fair picture of the U.S. travel industry relative to the overall economy over time. The reader should note, however, that the aggregate industry receipts discussed here tell us nothing in themselves about the volume of travel spending in the U.S. or the magnitude of business activity generated by this spending. This is because they comprise revenue from non-travelers as well as travelers and exclude important sectors of the travel industry for which annual sales data are lacking.

Travel industry sales have grown somewhat faster than total sales in the U.S. economy over the past decade. U.S. travel industry receipts increased 120 percent between 1979 and 1989, eleven percentage points faster than GNP (Figure 2A).

Travel industry receipts in 1989 increased 7.2 percent, slower than the previous year and a full percentage point below receipts' long-term growth rate over the last decade (Figure 2B). Travel industry sales matched the rise in nominal gross national product (GNP), and have increased faster than GNP during seven of the past ten years.

For 1990, travel industry sales as defined here are projected to increase 6.7 percent, slower than during 1989 but more rapidly than the overall economy as represented by nominal GNP. Sales of amusements and recreation services, and Amtrak are projected to grow ten percent and lead all other sectors. All other sectors are forecast to grow more slowly than the average, with bus industry receipts projected to fall two percent due to the Greyhound strike.

Eating and drinking places are projected to contribute nearly one-half of the $23 billion increase for the industry, with amusement and recreation services generating more than one-quarter.

Growth in travel spending can increase the real demand for travel goods and services if prices do not rise more rapidly than spending. Since it is real demand growth that generates additional jobs and other favorable economic consequences, it is essential to separate out the inflationary effects. To arrive at a measure of real travel industry growth we have to correct current dollar measures for changes in prices.

In Figure 2C, travel industry sales in current dollars have been deflated to represent real output, and growth over the last ten years in industry and overall output have been charted. Real output of the travel industry has risen nearly 30 percent since 1979, identical to the rate of real GNP growth.

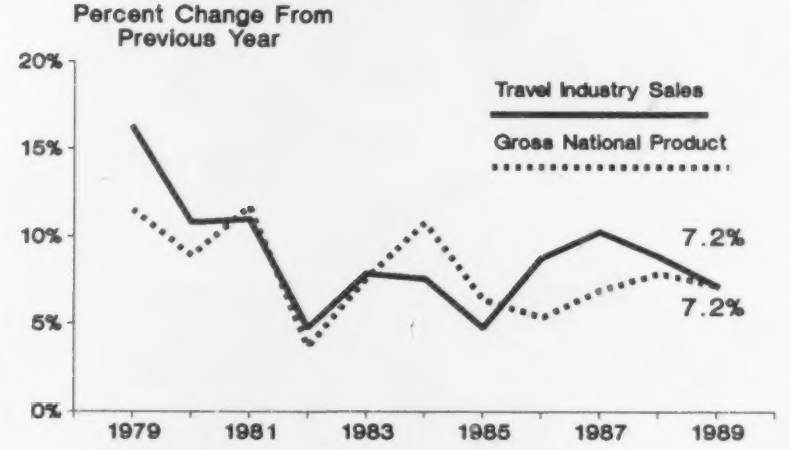
As Figure 2D indicates, the industry's real output growth exceeded the overall economy one-half of the last ten years. Travel output did not decline during the recessions in 1980-82, but did fall when petroleum prices soared in 1980. This suggests the travel industry is more vulnerable to price inflation and petroleum fuel shortages than to an overall economic recession.

Real travel industry sales grew only two percent in 1989, just two-thirds the growth of the overall economy and three-quarters the industry's long-term growth rate.

FIGURE 2A
TRAVEL SALES HAVE OUTPACED GNP GROWTH SINCE 1979

Source: U.S. Travel Data Center, Table 2A

FIGURE 2B
TRAVEL INDUSTRY SALES MATCHED GNP GROWTH IN 1989



Source: U.S. Travel Data Center, Table 2A

Travel industry real growth has been markedly slower during the 1980s than in the 1970s. During the earlier decade, travel output grew at a compound average rate of growth of 4.4 percent a year, outpacing the nation's overall output of goods and services. In 1980-82, however, petroleum shortages and inflation, coupled with two recessions, prevented the industry from growing. Since 1982, however, travel industry output has risen 3.6 percent a year, well below the rates enjoyed in the 1970's and less than the overall economy as well.

Competition for Discretionary Dollars

One explanation for the recent sluggish performance in travel demand is travel price inflation. As Figure 3C indicates in Chapter 3, real travel demand suffers when travel prices accelerate.

Another explanation is that leisure travel away from home, which accounts for more than 80 percent of the trips Americans take, must now compete with many more alternative uses of Americans' discretionary time and money than decades ago.

Consumer spending on durable items, including automobiles, home furnishings and appliances, and home "do-it-yourself" materials, has grown dramatically since the last recession. (Figure 2E)

Consumer durable spending declined in 1980 in response to the brief recession that year, and rose sluggishly during the sharp 1981-82 downturn. However, consumers shook off fears of economic insecurity and boosted consumer durable spending by $100 billion in 1983-84. The 1983 advance of 20 percent was the largest since the recovery year of 1976.

Even though personal income posted strong gains as well it did not rise fast enough to finance both a durables boom and increased pleasure travel. Rather, consumers chose to satisfy their pent-up demand for durables at the expense of maintaining previous levels of pleasure travel. Pleasure travel as measured by person-trips actually fell for three years in a row (1982-84).

The rise in consumer durable purchases tapered off in 1985 as spending increases fell more in line with personal income gains. As a result, the proportion of annual personal income spent on these durables stabilized at around eleven percent for 1984-89, about the same rate as during the late 1970's. (Figure 2F)

FIGURE 2C
THE TRAVEL INDUSTRY HAS GROWN AS FAST AS REAL GNP OVER THE LAST DECADE

Source: U.S. Travel Data Center, Table 2b

FIGURE 2D
REAL TRAVEL SALES LAGGED REAL GNP IN 1989

Source: U.S. Travel Data Center, Table 2B

Preliminary data from the U.S. Department of Commerce indicate that consumer spending on these durables grew only two percent in 1989, the smallest increase in nine years. Past experience suggests this should have helped boost pleasure travel, yet it did not. Instead, consumers increased their savings rate to the highest level since 1984.

The recent proliferation of in-home entertainment options, such as video cassette recorders, cable TV, enhanced audio systems, and home computers, compete successfully with pleasure travel for leisure time. This may explain how consumers spent their off hours without expanding leisure travel much while increasing their savings as well.

Moreover, expansion of entertainment and recreation opportunities in the local community, such as urban parks and recreation areas, enclosed shopping malls, and historic and themed attractions, now means the family looking for leisure time activities does not have to travel far to find them.

Travel Transport Activity

Americans traveled nearly 1.5 trillion passenger-miles on trips away from home on the nation's highways, railways and skyways during 1989. This is equivalent to a round-trip between New York and Los Angeles for every man, woman and child in America.

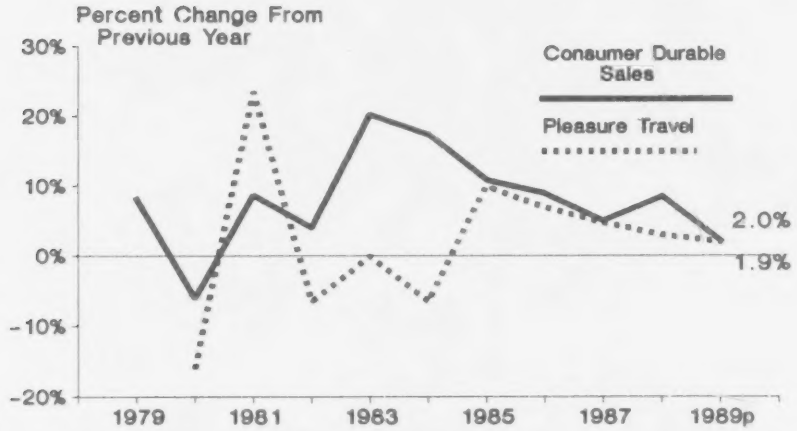
Amtrak passenger-miles rose five percent to lead all modes in growth for the third year in a row. The nation's air carriers showed virtually no growth in domestic passenger-miles as higher fares and a slowing economy restrained traffic. This is the slowest rise in air traffic since the decline in 1981.

Personal motor vehicle travel away from home (including automobiles, trucks and recreational vehicles) grew 4.3 percent in 1989, the fastest growth in a dozen years.

Over the last ten years, common carrier travel, dominated by the nation's airlines, has grown at a compound rate of four percent annually, twice the rate of personal motor vehicle travel. (Figure 2G) Air passenger-miles rose 4.6 percent a year, while rail travel grew less than two percent. This latter trend is due Amtrak's reductions in service in the early 1980s to more closely match its capacity to demand and financial resources.

According to available data, intercity bus passenger-miles appear to have declined about one percent a year over the past decade. The Greyhound strike begun in March 1990 may depress this traffic further this year, since the company accounts for more than eighty percent of regular route intercity bus service.

FIGURE 2E
DURABLE SPENDING AFFECTS PLEASURE TRAVEL



Source: U.S. Travel Data Center, Table 2E
p = Preliminary

FIGURE 2F
PERCENT OF ANNUAL PERSONAL INCOME SPENT ON CONSUMER DURABLES

Source: U.S. Travel Data Center, Table 2E
p = Preliminary

The common carrier share of total domestic passenger-miles away from home increased annually after the recession year of 1981, reaching a peak of 26 percent of intercity passenger miles in 1987. (Figure 2H). Since then, the proportion has dropped to less than one-quarter as domestic air travel slowed.

The common carrier passenger transportation share is likely to drop again in 1990. Domestic air travel, comprising more than ninety percent of common carrier traffic, is expected to grow three percent in the year, compared to four percent for personal motor vehicle travel. Americans are choosing to take advantage of stable gasoline prices in the current lackluster economy to travel by automobile rather than air. Rail travel should grow about five percent in 1990, to lead all modes. However, it accounts for only one and one-half percent of common carrier traffic and one-half percent of total intercity passenger-miles.

The Travel Agency Distribution System

Travel agencies make travel reservations for the public and sell transportation, lodging and other travel services on behalf of the producers of these services. They are retailers: they sell travel services provided by others directly to the final customer.

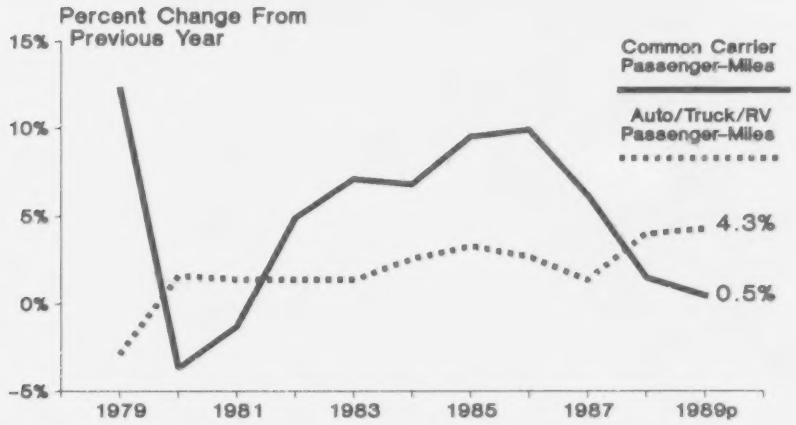
Travel agency locations appointed by the nation's scheduled airlines to sell tickets now number more than 35 thousand, twice as many as nine years ago. Employment in these agencies now exceeds 175 thousand.

The explosive growth in travel agency locations that characterized the first half of the last decade has waned. the number of these locations grew by 14 percent a year from 1979 through 1984, but have increased by less than one-half as fast since 1984. The proliferation of agencies and slowing in travel demand are reasons for this slowdown.

According to the Airlines Reporting Corporation, the number of agency locations increased by more than eight percent in 1989, but two-thirds of this gain was accounted for by satellite ticket printer locations. Satellite ticket printers are free-standing computer terminals and printers capable of accepting reservations and issuing tickets. They are located outside travel agency offices but are serviced by travel agencies.

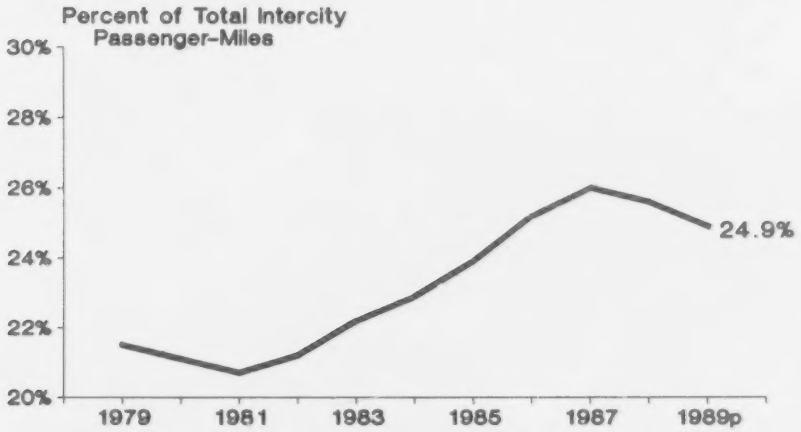
Excluding satellite locations, agency locations increased only 3.2 percent for the year. More than half of agency locations are single-office agencies, while branches of multi-office agencies account for about one-quarter of the total. In 1989, the number of satellite ticket locations reached 3,840, eleven percent of all locations.

FIGURE 2G
AUTO TRAVEL FAR OUTPACED COMMON CARRIER TRAVEL IN 1989



Source: U.S. Travel Data Center, Table 2C
p = Preliminary

FIGURE 2H
COMMON CARRIER SHARE OF TRAVEL DECLINED AGAIN IN 1989



Source: U.S. Travel Data Center, Table 2C
p = Preliminary

Total travel sales to the public by U.S. travel agencies are estimated by the most recent Travel Weekly/Louis Harris study to have exceeded $79 billion in 1989. Agents book only ten percent of the trips Americans take away from home, but these account for 20 percent of the total they spend on travel. This suggests Americans spend twice as much per trip on travel they book through agents as on travel they book directly.

Airline ticket sales through travel agencies now comprise 87 percent of total U.S. airline passenger revenue, up from 64 percent at the beginning of this decade. Figure 2I shows the relative growth of air sales through travel agencies and total airline passenger receipts for the nine years consistent data are available.

Since 1979, travel agency sales have grown at a compound rate of twelve percent a year, one-third faster than airline sales. This pattern continued in 1989. However, travel agency airline sales cannot continue to rise significantly faster than total airline passenger revenue much longer since they are approaching one hundred percent of the latter.

FIGURE 2I
TRAVEL AGENCY SALES OUTPACED AIRLINE REVENUE AGAIN IN 1989

Source: U.S. Travel Data Center, Table 2D
p = Preliminary

Travel is Small Business

The U.S. travel industry has played a substantial and dynamic role in the long-term growth of the American economy. Much of this must be attributed to the predominantly small-business character of the industry.

The most recent data available (Table II-8) indicate that 98 percent of the one-half million firms in the travel industry are classified as small businesses by the U.S. Small Business Administration.

This has been a major strength of the travel industry. There are ample opportunities for individuals to establish their own enterprises and offer distinctive services for the traveling public. Moreover, the small business environment tends to be strongly competitive, encouraging good service and fair pricing.

It encourages innovation, too. Small businesses react nimbly to new markets and product opportunities, expanding consumer choice. This is especially desirable in the current consumer environment of mass markets breaking up into distinct segments seeking specialized tourism experiences.

Table II-9: Small Business Firms and Total Firms in the Travel Industry, 1987

Sector	Small Business Firms	Total Firms	Small Business Share
Transportation			
Air	211	229	92.1%
Rail	0	1	0.0
Lodging			
Hotels/motels	34,668	34,950	94.6
Campgrounds, trailer parks	4,474	4,478	99.9
Foodservice			
Eating and drinking places	303,503	304,124	99.8
Entertainment/recreation			
Amusement and recreation services	76,414	76,522	98.5
Primary travel industry	419,270	420,304	99.8%

*estimate

Source: U.S. Travel Data Center based on data from the U.S. Bureau of the Census, Small Business Administration, Interstate Commerce Commission, Amtrak, World Aviation Directory

Recent research has also found that small businesses are a stabilizing influence, slowing the rate of economic decline during business downturns and helping stabilize

declining regional economies. And they far outpace large firms in producing new jobs over the long term.

However, small businesses can be hamstrung by their lack of financial resources and vulnerability to heavy-handed government energy, tax and regulatory policies. For example, they do not have the advertising budgets necessary to tap lucrative foreign visitor markets. They often find it difficult to borrow from banks on reasonable terms. And their funds for campaigning against unfair public policies are often inadequate.

Small businesses generally thrive in a deregulated economic environment and are encouraged when fair antitrust laws are vigorously enforced. Government can play a particularly vital role now in resolving the liability insurance crisis and providing loan guarantees sensitive to lenders' reluctance to extend credit to small businesses.

State tax and regulatory burdens on small business have become a critical issues in a number of states. Mandatory health insurance proposals, rising workers' compensation premiums, sharp minimum wage increases, and shifts from corporate profits taxes to gross receipts levies can drive small entrepreneurs out of business and discourage startups. Some states are substantially blunting the impact of their investment in tourism development by repressive tax and regulatory policies.

Public officials should recognize that policies that assist the travel industry encourage small business development in America. On the other hand, decisions that retard the growth of travel and the industry that serves it are most harmful to those businesses least able to withstand them.

Conclusion

Travel in America is a major economic force, providing tax revenue for thousands of governments, receipts for hundreds of thousands of business firms, and income for millions of employees. Its course contributes to the nation's growth and economic stability as well as to the quality of life our citizens enjoy. As a constructive economic force, travel and tourism deserve the thoughtful consideration of business executive and public policymakers.

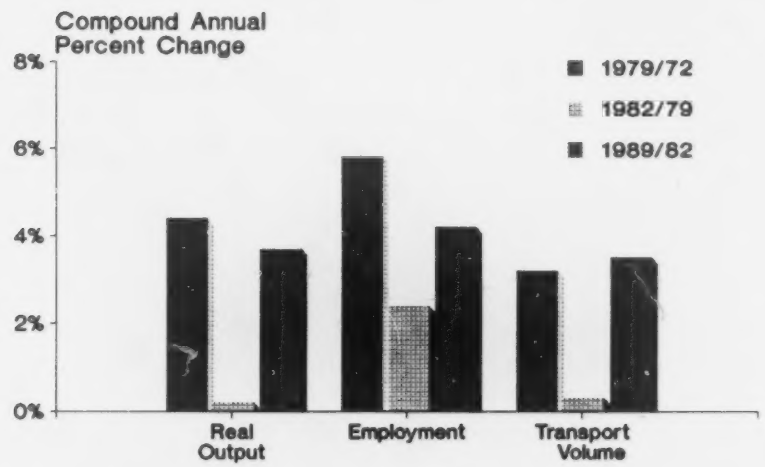
There is evidence that real travel demand in America is expanding sluggishly during this decade compared to the last. As indicated in Figure 2J, two out of three measures agree that the travel industry is growing more slowly during the current economic expansion than it did through the 1970s. Nineteen eighty-nine was a particularly disappointing year from a growth standpoint.

Part of this slowdown can be attributed to a national economy in a slow-growth rut. Moreover, consumers have found in-home and near-home entertainment appealing alternatives to leisure travel away from home.

Travel demand has reached the stage of maturity. No new market segments of any significance or dramatic cost-reduction innovations loom on the horizon to engender a travel boom comparable to the three decades following World War II. In short, the future offers no prospect of soaring travel demand rescuing businesses from the consequences of following indifferent marketing strategies or from governments imposing harsh tax and regulatory burdens.

Firms that recognize business growth requires more than passive presence in the market place and governments that realize higher tax rates can inhibit visitor growth are good insurance against stagnation in domestic travel demand in America.

FIGURE 2J
TRAVEL INDUSTRY PAST AND PRESENT



Source: U.S. Travel Data Center

III. TRAVEL PRICE INFLATION

Price inflation can be a major obstacle to travel and tourism growth in America through two major relationships. First, if prices rise more rapidly than personal income on a per capita basis, consumers will tend to reduce spending on discretionary items such as tourism to continue to fund necessities such as food, shelter, and energy.

Over the last decade, the cost of these necessities increased 73 percent, as prices of other, discretionary, items that consumers buy grew 69 percent. Per capita disposable personal income (income after payroll taxes), on the other hand, nearly doubled. This suggests consumers enjoyed increased purchasing power for spending on discretionary items such as travel and tourism.

This measure of income increased 7.6 percent in 1989, versus a rise in necessities' prices of 5.2 percent. Projections for 1990 suggest Americans' income will again outpace inflation in necessities or discretionary items. This indicates additional purchasing power will again be available to finance travel away from home in the year ahead. However, there is nothing to guarantee that consumers will spend these additional resources on leisure travel.

The second inflation relationship affecting travel demand is that between the cost of travel and the prices of other, competing items. If the costs of travel-related goods and services rise faster than the prices of other items that consumers can substitute for travel, they will be encouraged to switch to the less expensive alternatives to travel. These tend to be durable items such as audio and video equipment, swimming pools, home computers, and major home additions and renovations. They can also include nearby entertainment and recreation services, such as local theme parks, shopping malls and parks.

Business people, too, are encouraged to substitute other ways of conducting business if travel costs rise too rapidly, such as telecommunication and video-conferencing. Or they can substitute local travel for long-distance trips or attend trade shows instead of traveling to meet clients individually.

On the other hand, if travel prices rise more slowly than other goods and services, consumers and businesses will be encouraged to purchase more travel-related items and fewer of their substitutes.

The Travel Price Index (TPI) was developed by the U.S. Travel Data Center to measure changes in the cost of travel away from home in the U.S. by consumers. It is based on U.S. Department of Labor price data collected for the monthly Consumer Price

Index (CPI). The CPI is a measure of the average change in prices paid by urban consumers for a fixed collection of goods and services. It is representative of the buying habits of about 80 percent of the noninstitutional population of the United States. In 1988, the U.S. Department of Labor revised the weights for its CPI, changed some of the price categories, and based the series on 1982-84 = 100.

Since it is based on the CPI series incorporating a fixed set of weights, the TPI does not necessarily represent changes in the average fares, rates, and other prices travelers actually pay. When faced with a rise in the posted price of a coach seat on an airline, for example, a traveler can choose to pay that price or opt for a lower, restricted fare requiring travel at certain times of the week and carrying a penalty for changing plans. So the price offered, which the TPI measures, may differ from the price taken as the consumer changes his purchase patterns in response to changing prices.

In 1989, the TPI rose 5.3 percent over the previous year, significantly less than its long-term trend (Table III-1). This was slightly faster than the average cost of all items consumers buy, but a full percentage point faster than prices of consumer discretionary items. This suggests that some consumer alternatives to tourism became less expensive relative to travel and that some consumers *substituted* them.

On the other hand, personal income increased two percentage points faster than travel prices. Consumers enjoyed more real personal *income*, some of which could be spent on travel away from home.

As a result, the "substitution effect" was opposed by the "income effect," suggesting travel price inflation did little to hinder or aid travel growth in 1989.

Among TPI components, the cost of gasoline and other motor fuels rose the most in 1989: up 9.4 percent. This item alone accounted for one-quarter of the travel price inflation in 1989. Entertainment also showed a significant increase. On the other hand, local transportation and hotel/motel lodging were moderating influences for the year.

Also shown in Table III-1 are compound annual inflation rates over the last decade. Overall, the TPI rose more than six percent a year, lead by airline fares, lodging, and other intercity transportation (bus and rail). Motor fuel costs were a moderating factor over this period.

All items save motor fuel rose more slowly than their long-term trends in 1989. Local transportation (taxicabs and mass transit) and bus and rail intercity transportation showed the greatest moderation. Overall, 1989 travel price inflation was more than one-half point below its long-term trend. However, travel prices continue to outpace overall consumer prices, both in the long-run and the most recent period.

Table III-1: Travel Price Inflation, 1979-1990 Projected (annual compound percent change)

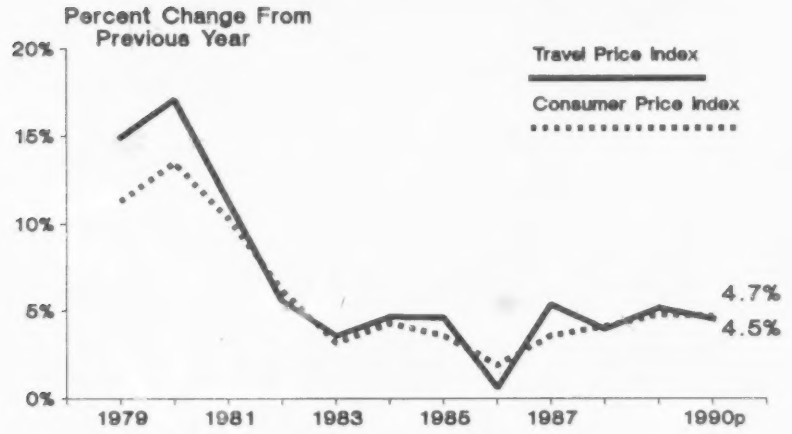
Component	Projected 1990	1989	1988	1989/79
Airline fares	4.0%	6.0%	1.1%	10.3%
Other intercity transport	4.5	4.4	4.7	8.1
Intracity transport	3.0	2.9	2.4	7.5
Motor fuel	6.6	9.4	0.9	2.4
Lodging while out of town	4.0	4.1	5.7	7.6
Food/beverages away from home	4.4	4.6	4.2	5.3
Entertainment/ recreation	4.5	7.6	5.5	5.7
Travel Price Index	4.5%	5.3%	5.4%	6.1%
Consumer Price Index	4.7%	4.8%	4.1%	5.5%

Source: U.S. Travel Data Center, based on U.S. Bureau of Labor Statistics data.

For 1990, the cost of motor fuel is again projected to lead travel prices, although at a slower pace than the prior year. Airline fares and entertainment, on the other hand, are expected to rise considerably less than the previous year. As a result, overall travel prices are expected to rise 4.5 percent, below the expected increase in overall consumer prices and only three-quarters as fast as their long-term trend.

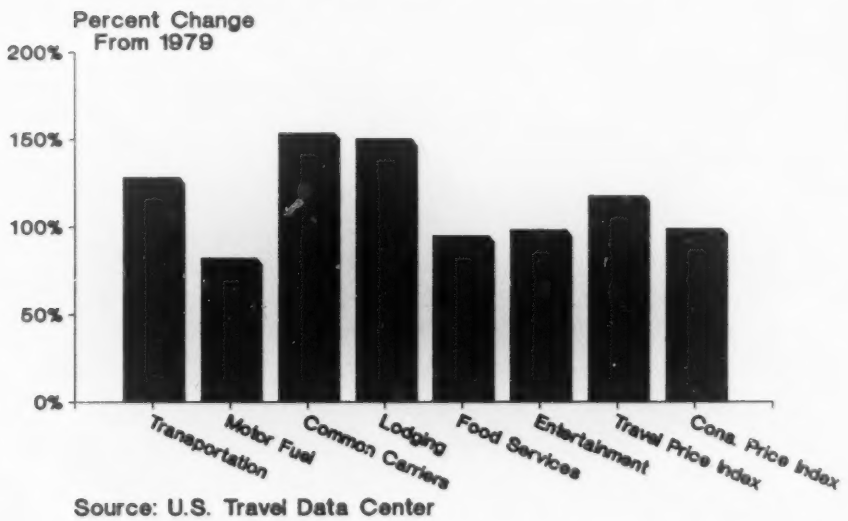
In 1979-80, travel prices soared in response to rising crude oil prices resulting from the Iranian revolution's impact on world petroleum supplies. Gasoline and common carrier fuel costs loomed larger in the TPI than in the CPI, so the latter rose more slowly. Since 1982, travel prices and overall consumer prices have moved closely together (Figure 3A). At these rates, travel is staying competitive with alternatives and remaining affordable for businesses and consumers. The long-term trend suggests travel inflation is not outrunning income growth or the prices of competing items.

FIGURE 3A
TRAVEL PRICES KEPT PACE WITH CONSUMER PRICES IN 1989



Source: U.S. Travel Data Center, Table 3A
p = Preliminary

FIGURE 3B
CARRIERS AND LODGING HAVE LED PRICE SURGE SINCE 1979

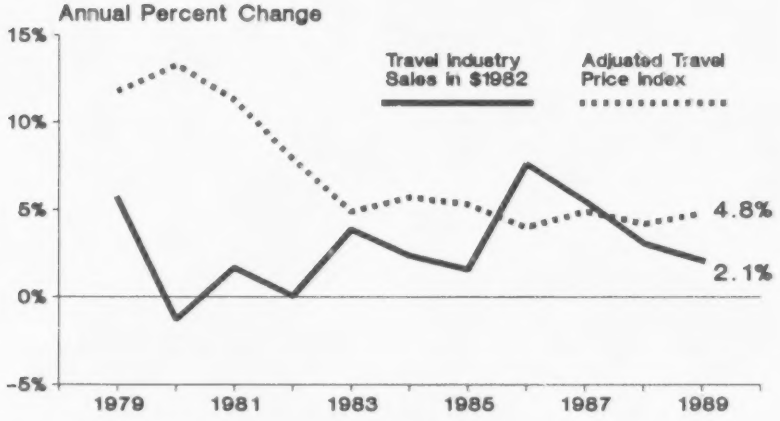


Source: U.S. Travel Data Center

The common carrier and lodging components of the industry have produced the greatest price hikes in the past decade (Figure 3B). Between the decade's beginning and end, three other components of travel prices -- gasoline, food and entertainment/ recreation -- rose considerably less and helped dampen TPI growth.

Figure 3C shows the relationship between the combined real output of the six sectors that comprise the primary travel industry in this report and an adjusted TPI including only the corresponding six price indices. The inverse relationship between the TPI and real travel sales demonstrates how businesses and consumers respond to price fluctuations and adjust their travel behavior accordingly. Relatively low TPI rates are usually associated with higher rates of real travel industry growth, and vice versa.

FIGURE 3C
INCREASED INFLATION DISCOURAGES
TRAVEL DEMAND



Source: U.S. Travel Data Center

During periods of rapid travel price inflation, businesses and consumers seek less-expensive alternatives to business and pleasure travel, such as telecommunication and local

recreation. When travel inflation moderates, they tend to increase their real travel activity as substitutes become less price-competitive.

This relationship holds true for 1989. The acceleration in the adjusted TPI was accompanied by a slowdown in real travel sales. (Figure 3C)

Just as important as the relative prices effect on travel demand is the relationship of changes in travel prices to growth in personal income. If the costs of travel rise more rapidly than personal income, households will cut back on real travel activity. The other scenario also holds. If personal income increases faster, consumers are likely to spend more on travel. Also, if all consumer prices are rising or dropping rapidly in comparison to personal income, travel expenditures will tend to decrease or increase respectively.

The relationship between prices and personal income improved in 1989. Consumers enjoyed a 3.5 percent increase in purchasing power as personal income rose 8.9 percent while the CPI increased by only 4.8 percent. This was an improvement over 1988's gain.

The outlook for 1990 is for the TPI to rise 4.5 percent as motor fuel prices and airline fares moderate considerably from their 1989 rises. The rise will be somewhat less than overall consumer price inflation, discouraging substitution of other items for travel in the year ahead.

A projected seven-percent rise in per capita disposable personal income in 1990 should prove positive for the travel industry. Consumers will be able to spend more on travel as income rises faster than both travel costs and overall prices.

The travel industry can shape and encourage market growth through responsible pricing. Efforts to control costs and to use more efficient equipment can promote the growth of real travel activity as well. Resisting unfavorable changes in government tax, minimum wage, and regulatory policies will help restrain inflation. And to the extent the travel industry can improve employee productivity, wage increases need not translate into more rapid price inflation.

For there is a third way that price inflation can depress travel away from home. Inflation has many undesirable effects. For one, it encourages borrowing in our leveraged economy. For another, it erodes living standards of those whose incomes do not rise as fast as prices. It also adds to uncertainty, driving up interest rates. And it can engender inflationary expectations, leading to consumer buying surges to hedge against future inflation, thereby initiating even more inflation.

When inflation becomes politically or economically intolerable, the federal government takes action to reduce it. This can be through regulatory controls or the tightening of monetary policy, which typically brings on a recession. High inflation is

damaging *per se* and is very costly to reduce as well, to both the overall economy and the traveler.

An economic environment fostering stable prices will encourage consumers to purchase travel in their leisure time, and businesses to employ this activity to increase sales and operations efficiency.

IV. TRAVEL AND EMPLOYMENT

Travel and tourism in America directly supported 5.8 million jobs in 1989, more than 5.3 percent of total nonagricultural payroll employment in the U.S. This ranks travel and tourism as a leading private employer, second only to health services. It is surprising but true that employment generated by travel in the U.S. exceeds the populations of 70 countries.

Over the past several decades, travel activity in the U.S. has continually demonstrated the ability to create new jobs faster than the rest of the economy, to provide a disproportionate number of jobs for the traditionally disadvantaged, and to produce new employment opportunities during economic recessions. In 1989, travel's job-creating powers waned relative to the overall economy but still provided a healthy boost to U.S. employment.

Travel Creates New Jobs in Abundance

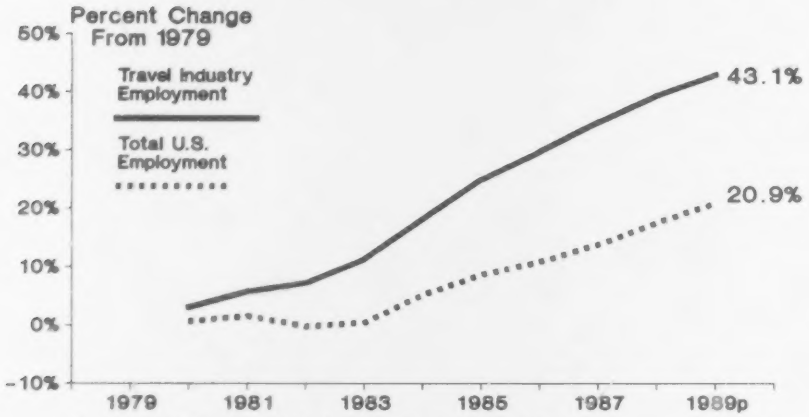
The travel industry outperformed the overall economy in creating new jobs over the last 18 years. Since 1972, the earliest year for which complete data are available, payroll jobs in travel-related businesses have more than doubled while total U.S. payroll employment increased by less than one-half.

The travel industry has contributed to job growth far in excess of its size. Just in the last decade, travel industry employment has grown 43 percent, more than twice the growth rate for all U.S. industries (Figure 4A). The 2.9 million new jobs provided by the industry since 1979 comprised fifteen percent of the national increase in employment. Yet travel industry firms as defined here collectively account for less than nine percent of all U.S. employment.

Travel Generates Jobs for the Disadvantaged

Minority groups, women and youth have traditionally found it more difficult than other Americans to finds jobs. The travel industry has proved itself to be an abundant source of jobs for these groups.

FIGURE 4A
TRAVEL INDUSTRY EMPLOYMENT HAS GROWN FASTER THAN TOTAL U.S. INDUSTRY EMPLOYMENT



Source: U.S. Travel Data Center, Table 4B

p = Preliminary

The U.S. travel industry offers a disproportionate number of jobs for blacks, hispanic-Americans, and women (Table IV-1). The industry is a rich source of jobs for the latter two groups, providing one-fifth more jobs for its size than the rest of the economy does. Industry employment of hispanic workers has grown dramatically from the 8.8 percent of travel industry employment just two years ago.

Table IV-1: Black, Hispanic and Female Share of Employment, 1989

Group	Employment share of the travel industry	Employment share of all U.S. industries
Blacks	11.5%	10.2%
Hispanic	10.5	7.3
Women	51.5	45.2

Source: U.S. Travel Data Center, U.S. Department of Labor; includes air transportation, eating and drinking places, hotels and motels, amusement and recreation services, and museums, art galleries and zoos.

Annual estimates are not available on youth employment by industry. However, data available from the 1980 Census of Population indicate those aged 16 to 24 years account for nearly 42 percent of employment in travel industry firms, compared to only twenty percent of total employment in the U.S. It appears it is twice as easy for youths to find jobs in travel as in other industries.

In 1989, the travel industry as defined here provided more than one million jobs for blacks, 956 thousand jobs for hispanic-Americans, and nearly five million jobs for women. It appears likely that the industry also employed nearly four million youths as well that year.

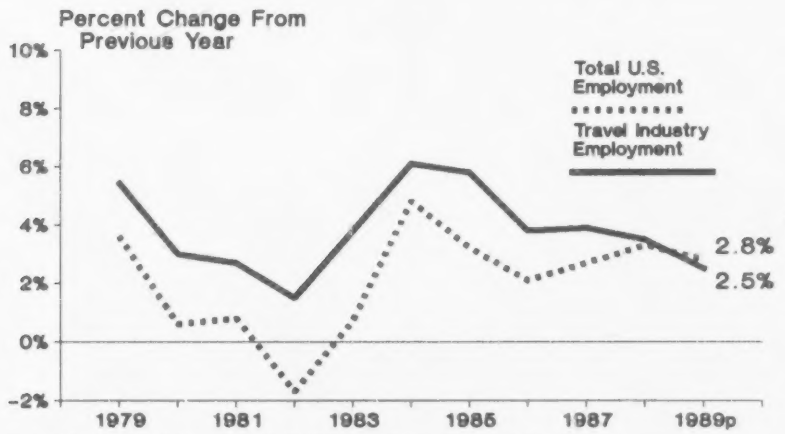
The U.S. Department of Labor projects that eighty percent of new entrants into the work force by the end of this century will be minorities, women and immigrants. Travel and tourism can be counted on to offer abundant job opportunities in the future for those who encounter the greatest difficulty in finding employment.

Travel Creates Jobs in Recessions

Employment in the travel industry has risen in every year since 1958 despite five economic recessions. This enviable record is not duplicated by the rest of the economy: total U.S. payroll employment declined during three out of the last 30 years.

The last recession ran from July 1981 through November 1982 and was one of the worst in the postwar period in terms of job loss and rising unemployment rates. By the downturn's end, U.S. payroll employment had declined 2.6 percent below the previous year (Figure 4B).

FIGURE 4B
TRAVEL INDUSTRY EMPLOYMENT GREW
THROUGHOUT THE 1981-1982 RECESSION



Source: U.S. Travel Data Center, Table 4A
p = Preliminary

This translated into a decline of 2.4 million jobs in the overall economy. Travel industry employment, however, was 72 thousand jobs *higher* than the previous November. Indeed, travel industry employment continued to grow throughout the recessionary period.

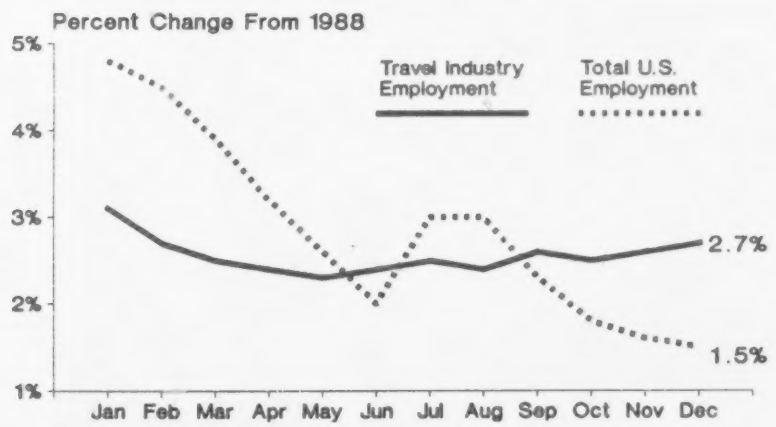
The travel industry can point to similar successes during earlier recessions: while employment in other sectors declines, travel industry employment continues to expand. Travel appears to be a counter-recessionary force in our economy, helping to offset employment losses in other industries and moderating the recession's damaging effects on jobs and income.

Travel Employment Outpaces the Economy During Expansions

Despite the recession's end in November 1982, total U.S. employment continued to decline for several months in 1983. Travel industry employment, on the other hand, rose month after month, producing healthy increases throughout the year. Since 1982, travel industry employment has grown 55 percent faster than jobs in the overall economy.

Preliminary data from the U.S. Department of Labor indicate jobs in the overall economy increased more rapidly than in the travel industry for most of the months of 1989. However, by September, travel employment resumed its old pattern of outpacing the overall economy. (Figure 4C)

FIGURE 4C
TRAVEL INDUSTRY LAGGED THE OVERALL ECONOMY IN NEW JOBS IN 1989



Source: U.S. Travel Data Center, Table 4B

p = Preliminary

For the year as a whole, travel industry employment grew only 2.5 percent according to these estimates, the smallest growth in six years and the first time the industry's employment growth rate has fallen below the overall economy for a year. These preliminary employment data for 1989 will be revised by the labor department and this unusual pattern may not be evident in the final figures.

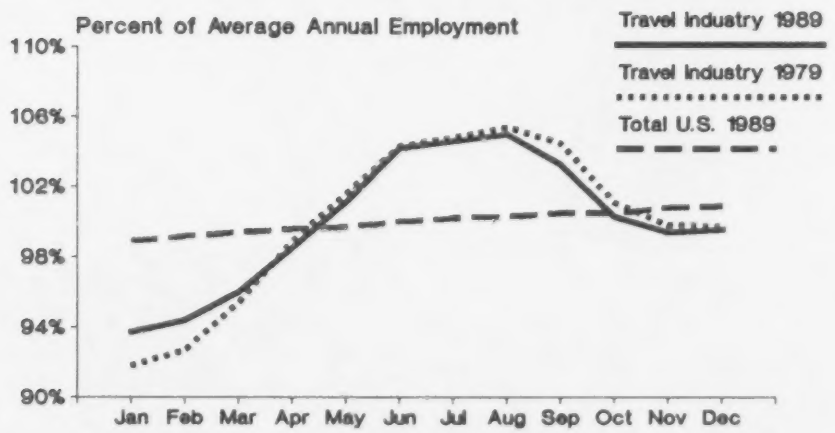
In 1989, travel industry employment increased by 239 thousand jobs, the smallest increase in seven years. Employment in eating/drinking places and hotels/motels grew at the slowest rates since the 1982 recession year. Normally accounting for three-quarters of the industry's annual job increase, they provided only one-half of the growth in 1989. Fortunately, airline and amusement/recreation employment accelerated.

Despite this subpar performance, travel industry employment accounted for 8.9 percent of total U.S. employment in 1989, up from 7.5 percent a decade earlier.

Travel Employment Has Become Less Seasonal

The travel industry is sometimes criticized for bunching employment in a few summer months and providing considerably less opportunity during the rest of the year. Figure 4D shows this is a misconception.

FIGURE 4D
TRAVEL INDUSTRY EMPLOYMENT HAS BECOME SOMEWHAT LESS SEASONAL



Source: U.S. Travel Data Center, Table 4B

During 1989, total travel industry jobs did peak in August, but at only five percent above the monthly average for the year. January and February were the low months, but only about six percent below the average.

Moreover, this seasonality has moderated over the last decade. The summer peaks were lower and the winter lows, higher, than in 1979. Growing interest in winter vacations, the trend toward long weekends and other mini-vacations, and the declining percentage of households bound by school schedules have all contributed to this reduced seasonal pattern. They are expected to continue to moderate seasonality in U.S. travel industry employment in the coming years.

Conclusion

Travel activity in America generates a substantial amount of the nation's employment. Over the long-term, the travel industry has created new jobs more than twice as fast as the overall economy. The industry is an abundant source of job opportunities for minorities, women and youth, groups traditionally disadvantaged in the nation's labor markets.

The travel industry's contribution to American job opportunities was disappointing in 1989. Concerns that the lodging and restaurant sectors of the industry are overbuilt, coupled with sluggish demand, may have restrained new hires in the industry.

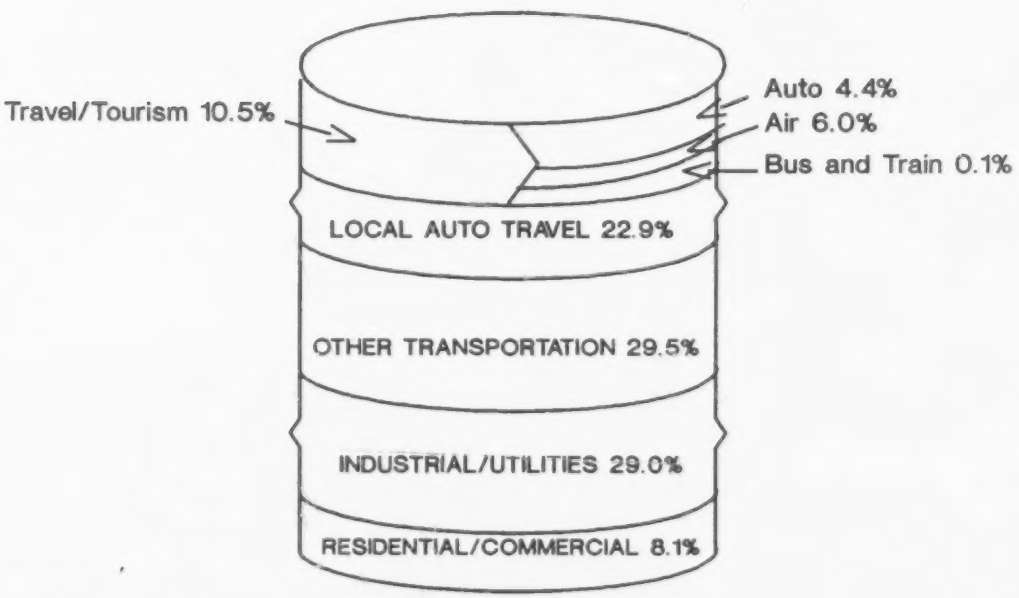
Providing plentiful job opportunities for all its residents has long been the nation's top economic priority. The travel industry has stood out among the sectors of the U.S. economy in progress toward this goal for a quarter century. Monitoring the industry's future job performance and carefully removing impediments to its growth can help insure America continues to astound the world in its ability to provide new job opportunities.

V. TRAVEL AND ENERGY

Nineteen eighty-nine was a difficult year in terms of U.S. energy consumption. Petroleum imports approached new heights while prices see-sawed vigorously. The specter of renewed dependence on unreliable foreign sources of petroleum fuels at soaring prices is disturbing to both the traveling public and the tourism industry.

Transport of Americans traveling away from home is dependent on oil for 97 percent of its fuel. Consequently, this activity and the industry that serves it are particularly sensitive to the price and availability of oil. If the cost of petroleum soars, as it did early in the 1980's and briefly at the end of 1989, the cost of transportation must rise considerably as well. Public and private transportation account for nearly 40 percent of travel expenditures in the U.S., so higher fares and gasoline prices exercise significant leverage on overall trip costs and can discourage Americans from traveling at all.

FIGURE 5A
TRAVEL AND TOURISM ACCOUNT FOR UNDER
11% OF DOMESTIC PETROLEUM CONSUMPTION



U.S. Consumption of Petroleum in 1989 was 6,294 Million Barrels.
Source: U.S. Travel Data Center, Table 5A.

Moreover, during past times of energy supply disruptions, some elected officials and policy makers have called upon the tourism sector to shoulder a disproportionate share of reducing demand. It appears to some that travel and tourism is a nonessential activity that can be virtually eliminated to deal with energy shortages. They fail to recognize the large number of companies, employees and governments that depend upon the traveling public for the lion's share of their income, and the critical role of business travel in the efficient conduct of business in the U.S.

The volume of petroleum fuels consumed by all U.S. transportation fell for the first time in seven years in 1989, and accounted for 63 percent of all petroleum products consumed in the U.S. (Figure 5A). Petroleum fuels consumed by travel and tourism transportation also declined negligibly and accounted for only 10.5 percent of U.S. petroleum consumption. Decreased jet fuel consumption by the nation's air carriers in domestic service produced the decline, which was partially offset by small increases by other modes.

Travel Transportation Efficiency Is Growing

The decline in tourism's fuel consumption is even more striking in the context of increased travel during 1989. The three-tenths percent drop in petroleum products consumed by travel transportation permitted a three-percent *rise* in intercity passenger-miles. This suggests travel transportation continues to grow more efficient in its use of petroleum fuels, and this is confirmed by the data: U.S. travel away from home by all modes averaged 53 passenger-miles per gallon in 1989, up three and one-half percent from the previous year.

Gasoline consumption in personal motor vehicle travel (automobiles, trucks, motorcycles and recreational vehicles) grew one percent in 1989. But this allowed Americans to travel four percent more passenger-miles away from home. Petroleum consumption of U.S. domestic air carriers declined more than one percent in 1989 but passenger-miles remained unchanged from 1988.

For the year, a gallon of gasoline produced 95 passenger-miles in travel away from home by personal motor vehicle, up three percent from 1988 and eleven percent from five years earlier. In contrast, a gallon of airline fuel produced only 23 passenger-miles, no change from the previous year. Of course, air travelers save considerable time and effort in choosing to fly rather than drive to their destinations.

The nation's certificated air carriers consumed 53 percent of petroleum consumed by all modes of transport away from home in 1989, up from 48 percent in 1984. Personal motor vehicles accounted for 41 percent (down from 48 percent in 1984). The remainder

was used by general aviation, intercity bus, and rail transportation, which collectively have accounted for about five percent of travel and tourism petroleum consumption over each of the last five years.

Dependence on Foreign Sources

America's dependence on foreign oil reached a ten-year high in 1989 as we imported 7.7 million barrels of crude oil and products per day, up 60 percent from 1985. Oil imports accounted for more than 46 percent of our consumption at a cost of nearly $50 billion as domestic crude production dropped by more than one-half million barrels a day.

A unique series of disasters accelerated the trend toward greater dependence on imported oil in 1989: the *Exxon Valdez* oil spill in March, Hurricane Hugo's damage to a U.S. refinery on St. Croix in the Virgin Islands, and an explosion at a Louisiana refinery in December.

Moreover, the 17-percent decrease in domestic refining capacity since 1981 and concomitant decline in domestic production make the U.S. oil market particularly sensitive to supply disruptions and wide price swings. Crude prices went from less than $18 a barrel in July 1989 to nearly $24 in January 1990 due to unseasonably cold weather. Such wide fluctuations discourage domestic exploration for new sources of oil.

Many are concerned about our rising dependence on imported petroleum. They point out that this makes the U.S. increasingly vulnerable to "oil blackmail" as foreign governments use our dependence upon their resources to extort political concessions.

Others argue that greater reliance on foreign sources of petroleum is not necessarily bad. For one thing, as long as U.S. oil production prices are higher than those of foreign producers, the U.S. economy is better off with the cheaper imports. For another, the Middle Eastern nations with major influence over production have recognized that reliable supplies at reasonable prices are in their best interest as well as that of their customers. Finally, our industries have become much more adept at switching to alternative energy sources such as natural gas if oil supplies tighten.

In brief, there is no need to panic at our rising dependence on foreign producers, but redoubled efforts to utilize petroleum more efficiently would limit the damage an international supply disruption would cause, and reduce our trade deficit as well.

Long-term projections of oil prices vary widely, but a number of these center on the cost of crude rising as much as four-to-five percent a year faster than overall inflation

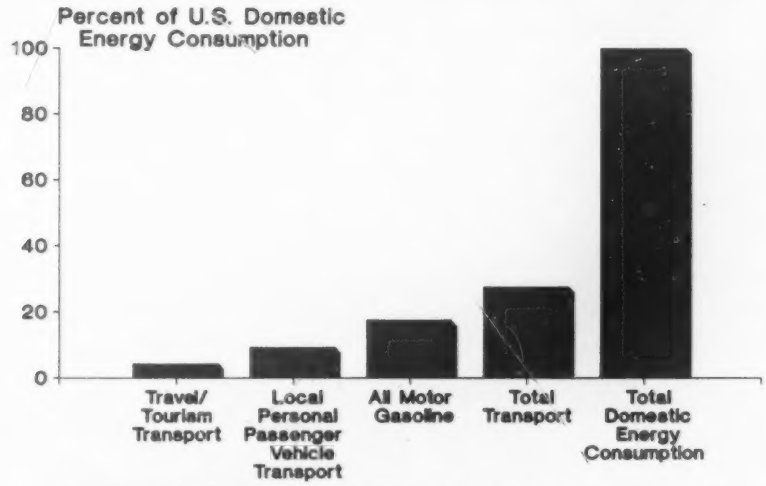
over the next ten years. This would price today's $19 barrel of oil at around $30 in 1990 dollars in the year 2000.

But major new oil discoveries could repress this trend. In 1989, the world discovered five and one-half times as much oil as it produced, according to the U.S. Department of Energy. And higher prices are most effective spur to discovery and development of new energy sources.

Conclusion

Travel and tourism transportation comprised only 4.5 percent of the nation's travel domestic energy demand in 1988, virtually unchanged from 1984. (Figure 5B). Travel transportation fuel requirements are considerably less than other sectors, yet they support a substantial amount of economic activity. For example, for every barrel of petroleum consumed by tourism transportation during 1989, more than $450 was spent by travelers.

FIGURE 5B
TRAVEL AWAY FROM HOME COMPRISED ONLY
4.4% OF DOMESTIC ENERGY DEMAND IN 1989



Source: U.S. Travel Data Center, Table 5B

In short, travel and tourism activity requires a small amount of energy at reasonable prices to make a major contribution to our economic welfare and quality of life. In times of concern over petroleum imports or shortages, little can be saved by drastically curtailing travel away from home. Rather, national efforts to encourage efficiency, promote conservation in nonessential local travel, and increase domestic oil production would go much further toward meeting our energy objectives.

VI. INTERNATIONAL TRAVEL TRENDS

The U.S. dollar strengthened through the first half of 1989 in response to rising interest rates, making travel to the U.S. somewhat more expensive for foreign residents and less expensive for Americans traveling abroad. After peaking in June, the dollar fell in value through the end of the year and on into 1990. By March 1990, the U.S. dollar bought as much French francs, German deutsche marks, and Canadian dollars as at the end of 1988, but bought 24 percent *more* Japanese yen and twelve percent *fewer* British pounds.

Economic growth moderated throughout the world, although the Asia/Pacific region continued to grow faster than other regions. The U.S. economy slowed considerably, dampening demand for foreign travel. International air fares fell somewhat for most regions of the world in 1989 and rose only one percent for traffic to and from North America. Worldwide inflation quickened a bit.

As a result, foreign visitor spending in the U.S. during 1989 grew at a double-digit rate for the fourth year in a row, while U.S. spending in foreign countries rose modestly.

As we approached the mid-point of 1990, the dollar appeared to stabilize. Its future depends on whether the Federal Reserve decides to raise interest rates to fight incipient inflation, or loosen credit in response to a slipping U.S. economy. The former course would strengthen the dollar while the latter would increase the buying power of major foreign currencies in the U.S. While the U.S. economy will avoid recession in 1990, its lackluster growth will not boost outbound travel. Inflation will rise toward the five-percent rate, further dampening enthusiasm for spending money on foreign travel.

In sum, barring a rise in terrorist attacks on U.S. carriers, an energy crisis, or political upheaval in Europe or Japan, 1990 will be the first year that foreign visitor spending in the U.S. outpaces U.S. spending abroad.

Revised International Travel Spending Estimates

After more than five years of study, the U.S. Bureau of Economic Analysis finally agreed to base its estimates of U.S. international travel receipts and expenditures on the in-flight survey of international air travelers administered by the U.S. Travel and Tourism Administration (USTTA).

The Bureau announced substantial revisions in its annual payments and receipts series for spending on international travel and on transportation. The revision was drastic:

on average, the new series of international travel receipts exceeded the old one by 58 percent for the 1984-88 period. At this time, the new 1984-89 receipts and payments series is not consistent with estimates for earlier years, so we cannot compare our current international travel accounts with those prior to 1984.

It is important to recognize that this international account includes *travel* receipts and payments, as well as *transportation*. The former includes the money foreign visitors spend in the U.S. and what U.S. residents spend in the foreign countries. The international transportation account, on the other hand, comprises U.S. air carrier receipts of passenger fares from foreign residents, and the payments of U.S. residents to foreign air carriers for international travel. U.S. expenditures for travel on U.S. international airlines are excluded from these accounts, as is foreign resident spending on non-U.S. air carrier fares.

International Travel Versus International Transportation Accounts

Contrary to some analyses, this *Review* discusses the *travel* account separately from the *transportation*, or passenger fare, account because they have diverse impacts on the U.S. economy. When foreign visitors spend money on goods and services in the U.S., they directly affect U.S. income, employment and tax revenues in the same way that domestic travel spending does. These effects have been described in the Data Center's Travel Economic Impact Model for a decade and a half and are well known.

In contrast, the benefits *to the U.S. economy* of foreign resident spending on U.S. airline fares are not self-evident. When a resident of Britain buys a ticket for a Pan American World Airlines flight to the U.S., he contributes to a nominal surplus in the U.S. international transportation account. But he may be helping to employ British citizens working for the airline, helping to purchase jet fuel from British suppliers, and helping to pay landing fees at a British airport. There may be very little impact, positive or negative, on the U.S. economy as a result.

Moreover, the interpretation of the U.S. balance on the international travel account is far different from the significance of the balance on the international transportation account. A surplus in the former generally means that international travel is making a net contribution to U.S. income, employment and tax revenue. A surplus in the transportation account, on the other hand, may translate into a net benefit to the U.S. or it may not, depending on whether the recipient air carrier spends those receipts in the U.S. economy or in another one.

Data provided by Japan Airlines (JAL) illustrate this conundrum. In 1989, this carrier earned $730 million from carrying U.S. passengers and cargo on its international routes. However, in the course of this carriage it spent $603 million in the U.S. on fuel,

landing fees, salaries, maintenance and other operating expenses. So instead of producing a $730 million charge against our international balance of payments from carrying U.S. citizens, Japan Airlines "cost" us only $127 million in international exchange.

Additional data from JAL indicate how unsatisfactory our international balance of payments accounts are regarding travel and tourism. Over the two full decades ending in 1989, JAL earned $4.9 billion from carrying U.S. citizens and cargo on international routes. However, when all operating expenses associated with this activity are tallied, along with purchases of aircraft, parts and engines from U.S. companies, the airline has contributed a $9.2 billion *surplus* to our international balance of payments.

At a minimum, it is crucial to separate the travel account from the transportation account in our balance of payments in order to correctly assess international tourism's impact on the U.S. economy. This is done in the following discussion. A comprehensive reckoning of tourism's overall contributions to our international receipts and payments would be even more valuable to correctly assessing our benefits from international travel.

Foreign Visitors to the U.S.

Foreign visitor expenditures in the United States, excluding international transportation, rose 16 percent in 1989 to a record $34 billion. This was slower than the record 25 percent increase the previous year. Since the dollar began its decline in major foreign exchange markets in early 1985, foreign visitor spending here has increased at the rate of nearly 14 percent a year.

Employment directly supported by these visitors reached 570 thousand jobs and payroll income topped $8 billion (Table VI-1). Rising expenditures and tax rates produced double-digit increases in Federal, state, and local tax revenues generated by foreign visitor spending in the United States.

Foreign visitors to the United States totaled 38.3 million in 1989, up twelve percent from the previous year and a new record. The 1989 percentage change is more than twice our long-term rate of growth over the last decade. In response to a declining dollar and continued economic growth in most countries, foreign visits to the United States increased by half from 1985 to 1989, for an absolute increase of 12.6 million.

In 1989, visitors from Mexico and Japan grew by one-quarter (Table VI-2). Despite the robust increase from overseas, Canada still supplies more visitors to the U.S. than all overseas areas combined.

Table VI-1: Measures of Foreign Visitors' Economic Contribution in the United States, 1989 (preliminary)

Travel Expenditures	$33.9 billion
Travel-generated Payroll	$ 8.0 billion
Travel-generated Employment	570 thousand jobs
Travel-generated Tax Revenue	$4.1 billion
Federal	2.1 billion
State	1.3 billion
Local	700.0 million

Source: U.S. Travel Data Center, U.S. Travel and Tourism Administration

The loosening of political restrictions in Eastern Europe countries produced a 41 percent increase in visitors while spending grew by nearly one-half. Indeed, Eastern Europe was one of only two origins posting more rapid visitor spending growth in the U.S. than during 1988 (Central/South America and the Caribbean was the other region to do so). These increases are on a small base yet Eastern Europe's population is forty percent of Western Europe's, suggesting economic restructuring and freedom to travel will continue to boost these numbers over the foreseeable future.

All regions but Japan showed visitor spending here rising more rapidly than visitors. Nevertheless, Japan alone accounted for one-quarter of the increased spending.

Europe has doubled the number of visitors sent to the U.S. over the last five years to lead all major regions of the world. Visitors from Asia and Oceania have increased more than 75 percent over this period. Japan's "Ten Million Programme," designed to boost outbound travel to ten million by 1992, has been especially successful in generating additional travelers to the U.S.

On the other hand, visitors from Mexico are now only eleven percent higher than five years ago, reflecting the drastic devaluation of the peso over this period. Visitors from Africa are actually seven percent *below* their total in 1984. Overall, travel to the U.S. is up 44 percent over this period.

Table VI-2: Foreign Visitors and Their Expenditures in the U.S. for Countries and Regions, 1989

Origin country/region	Visitors Millions	Visitors Variation from 1988	Visitor expenditures $ millions	Visitor expenditures Variation from 1988
Canada	15.366	11%	$ 4,726	22%
Mexico	9.326	18	3,373	30
Overseas	13.999	12	25,756	24
Western Europe	6.094	8	10,692	9
Eastern Europe	0.156	41	263	47
Central & South America, Caribbean	2.627	11	4,327	19
Japan	3.080	22	5,990	22
Other areas	2.198	20	4,534	31
Total	38.691	12%	$33,855	16%

Note: excludes international passenger fare payments and cruise travel; details may not add to totals due to rounding.
Source: U.S. Travel and Tourism Administration and U.S. Bureau of Economic Analysis; U.S. Department of Commerce

The 1989 average visitor to the United States spent nearly $875 (Table VI-3). Those from Australia spent more two and one-half times the average for all visitors.

Visitors from Japan also spent twice the average for all countries. Those from Canada and Mexico spent the least per visit, reflecting short distances and durations for the bulk of these trips.

These differences reflect differing lengths of stay in the United States and varying daily expenditure patterns. Visitors from major overseas generating countries enjoyed rising exchange rates which allowed them to spend more in dollars here for a constant amount of their own currencies in 1989.

Visitor volume from the United Kingdom has risen more over the last five years than from any other country: up 140 percent. Japanese visitors have increased nearly 120 percent over this period. At the other end of the scale, visitation from Canada rose only forty percent, while Mexican volume stood eleven percent higher than in 1984.

Travel to the U.S. is highly concentrated in its origin. The top five producers, countries all supplying more than one million visitors to the U.S. annually, now account for eighty percent of the total. The next five account for only five percent. However, this

concentration has declined somewhat. The top five origin countries have lost three percentage points of the market over the last five years, while the next five have gained one point.

Table VI-3: Foreign Visitors and Expenditures in the U.S. for Top Ten Countries of Origin, 1989

Country of origin	Visitors (millions)	Visitor expenditures ($ millions)	Expenditure per visitor
Canada	15.366	$4,726	$308
Mexico	9.326	3,373	362
Japan	3.080	5,990	1,945
United Kingdom	2.222	3,171	1,427
West Germany	1.076	NA	NA
France	0.654	NA	NA
Australia	0.406	884	2,177
Italy	0.355	NA	NA
Bahamas	0.335	NA	NA
Brazil	0.333	NA	NA
Total all countries	38.690	$33,855	$875

NA = not available

Note: excludes international passenger fare payments and cruise travel. Details do not add to total.

Source: U.S. Travel and Tourism Administration and U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Most of the factors affecting foreign visitation to the United States appear favorable for 1990. The world economy will continue to expand while the dollar remains relatively weak. Competition on Atlantic and Pacific routes guarantees moderately low air fares, and possible deregulation of the European airline industry could boost travel here as fares fall in a more competitive environment.

For 1990, USTTA projects that total foreign visitor volume to the United States will rise 12 percent again, to nearly 41 million. Overseas visitors should grow 10 percent in number, with European visitors to the United States up nine percent. The United Kingdom, Australia and Sweden are expected to produce double-digit rates of increase, while travel from Canada and Mexico will be up ten percent and eighteen percent, respectively.

This information on the relative size of the various markets for visit USA traffic and their value per visitor can help travel suppliers and destinations plan marketing programs

that provide the highest return on money invested. The international market is growing considerably more rapidly than domestic travel, though it size is only one-eighth that of domestic travel spending. However, overseas visitors spend much more per trip than domestic travelers and provide a good return on promotional investment.

U.S. Outbound Travel

United States residents boosted their spending in foreign countries by only 6.5 percent in 1989 following a ten percent increase in 1988. These was the smallest rise since the six-percent growth registered in 1986 and excludes spending on transportation to and from these areas. U.S. trips to foreign countries rose only one percent, following a two-percent gain in 1988.

Table VI-4 shows the pattern of United States spending on travel in foreign countries for 1989. The number of U.S. trips to foreign countries in 1989 stood only 20 percent above the 1984 level, less than one-half the increase in foreign visitors to the U.S. (42 percent).

Table VI-4: U.S. Travelers and Their Expenditures in World Regions, 1989

Country/region visited	U.S. Travelers Millions	U.S. Travelers Variation from 1988	U.S. Expenditures $ millions	U.S. Expenditures Variation from 1988
Canada	12.689	-5%	$ 3,392	5%
Mexico	13.690	2	5,684	20
Overseas	14.900	3	25,153	4
Western Europe	6.459	6	11,315	3
Eastern Europe	.450	26	245	*
Central & South America, Caribbean	5.164	-2	4,950	10
Japan	.970	23	1,884	5
Other areas	1.860	-6	6,579	2
Total all regions	41.279	1%	$34,229	7%

NA = not available * = less than 0.5%

Note: excludes international passenger fare payments and cruise travel. Details may not add totals due to rounding.

Source: U.S. Travel and Tourism Administration and U.S. Bureau Economic Analysis, U.S. Department of Commerce; Immigration and Naturalization Service

Our border neighbors garnered nearly two-thirds of all U.S. travel to foreign destinations in 1989, but Mexico displaced Canada as the favorite foreign destination for U.S. travelers in terms of both visitors and expenditures for the first time on record. Travel to our northern neighbor declined five percent as the Canadian dollar rose in value and Canadian prices climbed more rapidly than U.S. prices.

U.S. visits to Mexico rose 2 percent as a 15-percent devaluation of the peso was offset by a 20-percent increase in prices. This rate of inflation, while high by American standards, is the lowest Mexico has known since 1978.

U.S. travel to the rest of the world increased only three percent, but growth varied widely according to region. Travel to Japan grew seven percent in visitors but only five percent in expenditures in response to a 17-percent fall in the value of the yen. Hurricane Hugo discouraged travel to the Caribbean and South America, which fell two percent.

Travel to Europe accounts for nearly half of all U.S. overseas travel and grew seven percent in 1989 after rising five percent the previous year. Celebration of the French Bicentennial boosted U.S. visits by one-half million Americans alone. The political changes in Eastern Europe attracted one-quarter more U.S. visitors than in 1988, but still accounts for only seven percent of all U.S. trips to Europe.

USTTA projects that Americans will take 42.9 million foreign trips in 1990, up 4 percent. The agency also forecasts that travel to Mexico will top 14.2 million, exceeding trips to Canada by one million. Overseas travel will reach 15.5 million trips, while Europe will garner 7.2 million of these. The growth rates for all of these areas are projected to be four percent in 1990.

On the average, American residents spent $829 per visit to foreign countries in 1989 (Table VI-5). This excludes the cost of transportation to and from these areas.

American travelers spent the least amount in our northern neighbor as trips to Canada average shorter durations than trips overseas. They spent somewhat more per visit to Mexico, as the average trip duration tended to be longer and inflation grew four times as fast as in Canada.

United States travelers to Japan spent more per visit than in any other area in 1989. The average topped $1,900, more than double U.S. per-visitor expenditures in the rest of the world, even though this average declined from 1988.

Europe held second place among U.S. destination regions in per capita U.S. spending. There is quite a disparity, however, between the amounts spent in the Western and Eastern regions of Europe. U.S. trips to the former are longer and prices are higher

in terms of U.S. currency. Eastern European nations, on the other hand, are bargains for U.S. travelers as the dollar buys a great deal more per day.

Table VI-5: Average U.S. Traveler Expenditures by Area Visited, 1988-89

	-- Expenditure per Traveler --		
Country visited	1989	1988	Variation 1989/88
Canada	$ 267	$ 243	10%
Mexico	415	352	18
Overseas	1,688	1,673	1
Western Europe	1,752	1,631	7
Eastern Europe	544	497	9
Central & South America, Caribbean	959	692	39
Japan	1,942	2,275	-15
Overall	$ 829	$ 786	6%

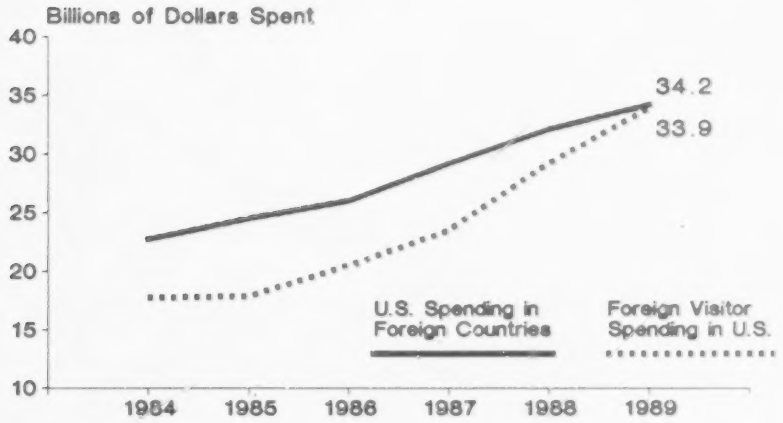
NA = not available
Note: Excludes international passenger fare payments and cruise travel.
Source: U.S. Travel and Tourism Administration and U.S. Bureau of Economic Analysis, U.S. Department of Commerce

International Travel Balances

According to the new estimates by the Bureau of Economic Analysis, the gap in U.S. international travel spending -- United States travel expenditures in foreign countries less foreign travel expenditures in the U.S. -- fell drastically in 1989 (Figure 6A). Receipts from foreign visitors grew by $4.7 million while U.S. travel spending in other countries rose less than one-half this amount. As a result, the deficit fell to only $374 million, the lowest level since the new receipts and payments series began in 1984.

This 87-percent decline in our international travel payments deficit compares to an eighteen-percent drop in the overall U.S. trade balance on goods and services. Indeed, the travel account contributed one-quarter of the improvement in our trade balance in 1989 although it accounts for less than five percent of our international goods and services receipts.

FIGURE 6A
U.S. INTERNATIONAL TRAVEL SPENDING GAP VIRTUALLY VANISHED IN 1989



Source: U.S. Travel Data Center, Table 6A

FIGURE 6B
U.S. INTERNATIONAL TRANSPORTATION ACCOUNT ACHIEVES SURPLUS IN 1989

Source: U.S. Travel Data Center, Table 6A

Our travel deficit grew during the 1984-85 period as the U.S. dollar rose to a peak in its power to purchase foreign currencies in February, 1985. This made it more expensive for foreign residents to visit the U.S. but less expensive for Americans to visit foreign destinations. Thereafter, the dollar fell, making travel to the U.S. less expensive for residents of our major generating countries and, conversely, making U.S. travel abroad more costly. The deficit fell precipitously in 1988-89 as U.S. travel to foreign destinations grew very little and visit USA traffic soared.

Unless the dollar strengthens again, the U.S. economy booms or the other industrial nations enter a recession, we can expect a surplus in the international travel account in 1990 and a growing one thereafter. How rapidly this surplus grows will depend in part upon how much and how wisely the federal government invests in building the visit U.S.A. market.

The United States' international transportation, or passenger fare, deficit is the difference between U.S. passenger payments to foreign carriers and receipts of U.S. carriers for transportation of foreign visitors to and from the United States (Figure 6B). This deficit turned to surplus for the first time in 1989, a surplus of $1.5 billion. Although earlier data are not consistent with the 1984-present estimates of these items, it appears this is the first year U.S. carriers have earned more from foreign passengers than foreign carriers earned from U.S. airlines.

In 1985, the international passenger transportation deficit approached $3 billion. Since then, U.S. international transportation receipts have grown an average of 26 percent a year, while passenger fare payments to non-U.S. carriers grew less than half as fast. U.S. carriers have aggressively opened new routes and added capacity in the North Atlantic and Pacific markets and have been able to retain U.S. international travelers as well as attract more non-U.S. tourists.

This surplus on the international passenger transportation account indicates U.S. carriers are competing more effectively for international travelers than earlier in the decade. It is not yet possible to accurately discern the magnitude of the net contribution this makes to the U.S. economy, however.

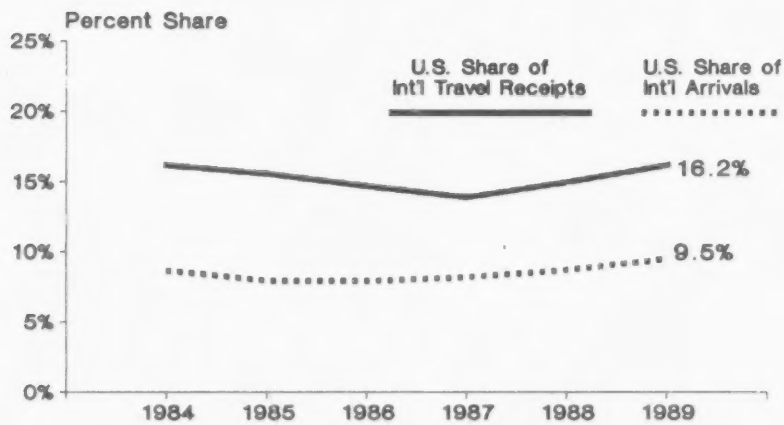
Rising Market Share

The U.S. share of international travel and travel receipts matched their recent peaks in 1989 (Figure 6C). U.S. receipts grew nearly 16 percent over 1989, twice as fast as world receipts. Foreign arrivals in the U.S. grew nearly 12 percent, four times as fast as global international arrivals. The result was that the U.S. garnered more than sixteen percent of world international travel receipts and nearly ten percent of international

arrivals for the year. In short, the U.S. enjoyed an exceptionally good year in 1989 compared to world international tourism.

It is only in the last two years that U.S. international arrivals and receipts have grown faster than the rest of the world. Nineteen eighty-eight and 1989 produced growth rates double those of other countries, boosting the U.S. share. In 1988-89, the U.S. accounted for more than one-quarter the total increase in world international tourism receipts.

FIGURE 6C
U.S. SHARE OF INTERNATIONAL TOURISM
REACHED HIGHS IN 1989



Source: U.S. Travel Data Center, Table 6C

While these shares are high, there is no reason to believe the 1989 experience marks the upper limits of our share of the international market. Given the wealth of our travel attractions, both natural and manmade, and the diversity of our cultures, aggressive tourism marketing efforts could considerably increase our share of the world's tourism market.

Meager Federal Commitment to Travel Market Development

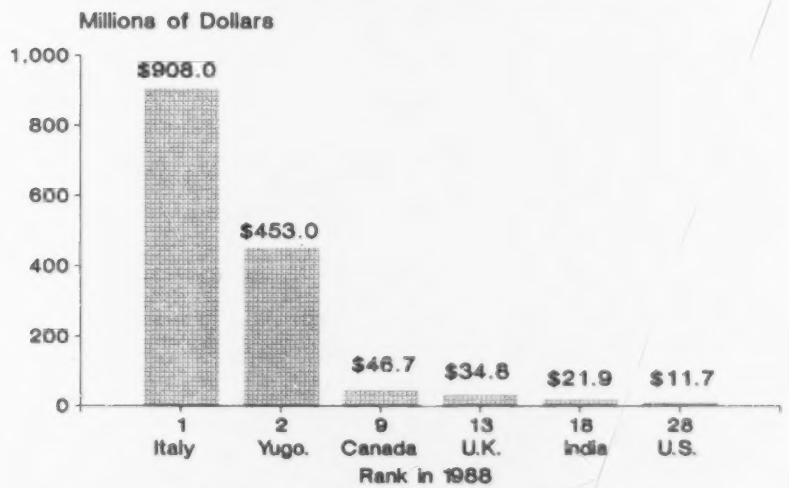
Such aggressive marketing assumes a reversal of our declining national presence in world tourism markets. After peaking at more than $14 million in fiscal 1977, federal government resources devoted to international travel development fell to a low of $7.6 million in fiscal 1982 and 1983, and just returned to the earlier high at $14.3 million in fiscal 1990.

If we use the increase in overall consumer prices to represent inflation since 1977, the federal government is now devoting less than one-half the real financial resources to developing visit USA markets that it did twelve years ago.

And this decline in real investment in visitor marketing has occurred while competition for international visitors has grown more intense. Now, more than 170 other national governments compete for this lucrative business. Indeed, nearly 100 foreign governments operate offices in the United States to develop the market for American travel abroad. In contrast, USTTA operates offices in only nine foreign countries.

The United States lags far behind other countries in national government resources devoted to international travel development (Figure 6D). According to the Travel and Tourism Government Affairs Council, 27 other governments spent more on tourism development than the United States did in 1988. Indeed, for the each of the last five years, Canada has spent more than this in the U.S. market alone.

FIGURE 6D
U.S. RANKS 28TH IN NATIONAL GOVERNMENT TOURISM SPENDING



Source: U.S. Travel Data Center, Table 6D

The United States ranks first among nations in international visitor receipts (Table VI-6). Yet our central government invests a dismal four one-hundredths of a cent in tourism promotion per dollar received from foreign visitors. Even India, ranking 28 in international visitor receipts, invests more than a cent on market development per dollar received.

Table VI-6: Top Six Countries of the World in International Visitor Receipts, 1988 ($ millions)

Rank	Country	Visitor receipts	Government promotion spending per dollar received
1	United States	$29,202	0.04¢
2	Spain	16,686	0.5
3	France	13,783	NA
4	Italy	12,399	7.3
5	United Kingdom	11,023	0.3
6	Austria	8,520	0.7

NA = not available
Source: U.S. Travel Data Center, Tables 6D and 6E

It is difficult to believe more than two dozen other countries are mistaken in devoting more of their central government budgets to financing tourism development than we do. It is more likely it is the U.S. that is out of step.

Regional Stake in International Tourism

The 1986-87 foreign visitor expenditure study conducted for the U.S. Travel and Tourism Administration permits estimates for only the four Census divisions of the U.S. (Figure 6E). Expenditures ranged from more than $8 billion in the west and south to $2 billion in the midwest.

Additional data from USTTA's inflight surveys indicate that every state received foreign visitors during the year, from Nebraska with 63 thousand in 1988 to Californian with nearly 6.6 million. Indeed, all regional economies are favorably affected by foreign visitor spending. What is more, foreign visitors could contribute significantly more than they now do to economic development in these areas if the U.S. government mounted an aggressive, targeted international tourism marketing program.

We cannot expect state and local agencies and private enterprises in these regions to develop foreign visitor markets alone. The private sector, predominantly small business in nature, generally cannot afford the considerable costs of taking effective positions in foreign markets. Moreover, they often lack the expertise required.

FIGURE 6E
FOREIGN VISITOR EXPENDITURES IN
U.S. REGIONS, 1986-1987 ($ BILLIONS)

Source: U.S. Travel Data Center

Rather the federal government, with its commitment to balanced economic growth and small business prosperity and its familiarity with operating in foreign business environments, should take a more responsible position. A U.S. Travel and Tourism Administration budget large enough to raise us out of our cellar position in international travel market development is a sound investment in the economic health of our nation.

Conclusion

Foreign visitor spending in the U.S. grew more than twice as fast as domestic spending during the last decade, and has doubled just in the last four years. The U.S. share of world international travel receipts and arrivals is at a high. Each foreign visitor spends seven times as much as the average U.S. traveler to domestic destinations. In short, the international tourism market is a lucrative one for the U.S., stimulating economic growth, jobs and income.

To a major extent, growth in this market is determined by factors outside marketers' control. World economic expansion, the course of exchange rates, relative price inflation in major countries, and political factors overwhelm marketing programs in size and influence.

Nevertheless, dollars spent to develop the visit USA market are sound investments for business firms, cities, state governments and the federal government. They build positive images of the U.S. as a destination that serve as a foundation for long-term growth. And they work at the margin to persuade foreign residents to spend their holidays here.

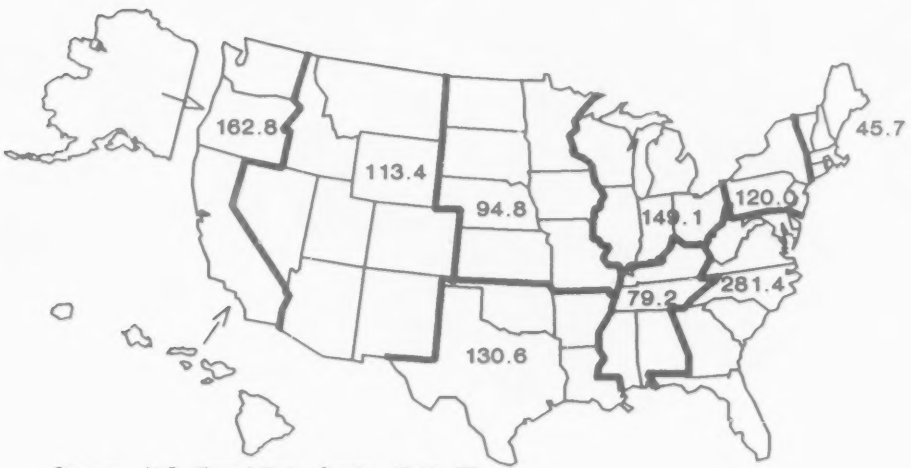
In short, our nation's economy benefits from a growing visit USA market. And we can expand these benefits by sound investment in the international tourism market at all levels of government.

VII. REGIONAL TRAVEL PATTERNS

Americans actively travel to destinations away from home in their own country. The U.S. Travel Data Center estimates that in 1989, Americans took more than 1.2 billion person-trips within the U.S. to places 100 miles or more away from home. These include trips for business or pleasure, in all seasons, in all regions of the country.

Figure 7A shows 1989 travel away from home to each of the nine regions defined by the U.S. Bureau of the Census, according to the Data Center's National Travel Survey.

FIGURE 7A
U.S. RESIDENT TRAVEL BY DESTINATION REGION
1989 (MILLIONS OF PERSON-TRIPS)



Source: U.S. Travel Data Center, Table 7A

The South Atlantic region continues to be the most popular regional travel destination by far, attracting nearly one-quarter of all U.S. trips during 1989. The Pacific region, dominated by California, took second place, followed by the East North Central region around the Great Lakes.

The South Atlantic region also enjoyed the greatest growth: up more then twenty percent in person-trips over the previous year. The Mountain region posted a double-digit rate of growth as well and is moving up fast toward fifth place among the regions.

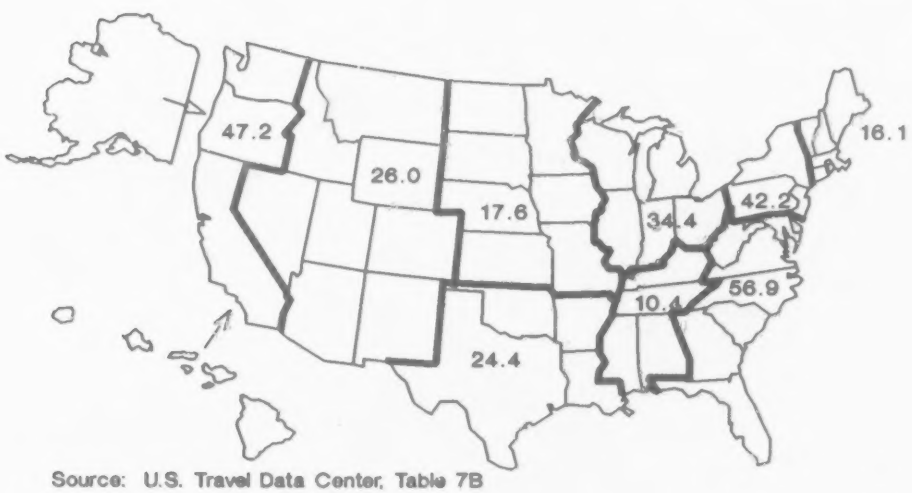
The smallest number of trips were made to New England, comprising less than four percent of all U.S. person-trips for the year. Unfortunately, that region suffered a seven-percent decline in trips for the year. Five other regions, led by the Pacific, also posted reduced American destination travel in 1989.

Regional Economic Impact

Travel's economic contribution begins with expenditures in a region. Travel spending depends not only on the number of trips to a region but the number of days spent there and the eating, lodging, amusement, and transportation habits of visitors. The Data Center's Travel Economic Impact Model combines estimates of these factors to produce annual measures of employment, income and tax revenue generated by travelers in an area.

U.S. resident travel expenditures for 1987 in each region are shown in Figure 7B. The South Atlantic region, ranking first in travelers, also holds first place in expenditures with one-fifth of the total. The Pacific region and the Middle Atlantic regions followed in second and third places, respectively. Travelers in the East South Central region spent the least -- less than four percent of the U.S. total -- but still more than ten billion dollars.

FIGURE 7B
U.S. TRAVEL EXPENDITURES
IN U.S. REGIONS, 1987 ($ BILLIONS)

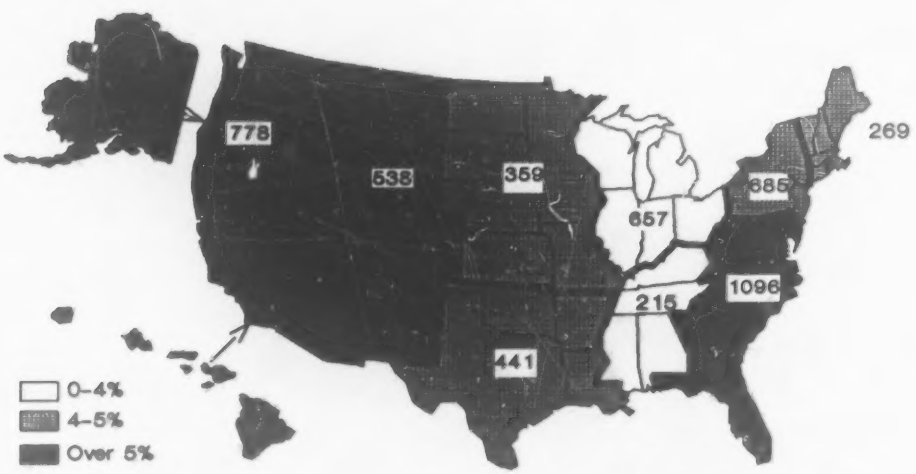


Source: U.S. Travel Data Center, Table 7B

Individual states and cities as well as regions benefit from travel and tourism activity. Indeed, travel contributes to the economies of virtually all local areas in the nation. The U.S. Travel Data Center has conducted studies of travel's economic impact on more than 1,800 of the nation's 3,139 counties and county equivalents since 1978. In only three of these counties has it found that travel made no measurable economic contribution. Few industries that can boast of such universal economic benefits.

One of the most important economic effects of travel is the employment it generates, and Figure 7C shows the regional distribution of the five million jobs directly attributable to travel in 1987.

FIGURE 7C
EMPLOYMENT GENERATED BY U.S. TRAVELERS
IN U.S. REGIONS, 1987 (THOUSANDS)



Source: U.S. Travel Data Center, Table 7B

The South Atlantic region led this category as it did travelers and expenditures with more than one million travel-generated jobs, 18 percent of the total. The Pacific region held second place, as it did with travelers and expenditures. The East South Central showed the least employment of any region, but still boasted 215 thousand travel-related jobs.

These absolute estimates do not necessarily represent how important travel activity is to a region in providing jobs and income. For example, the Mountain region, with relatively few jobs attributable to travel activity, is most dependent on it for employment. More than one job in ten there is directly generated by travel spending, a higher percentage than any other region. As traditional resources of economic growth -- energy,

timber and agriculture -- have declined, Mountain region states and cities have been quick to invest in tourism infrastructure and promotion and the region prospers as a result.

Major industrial regions with their diverse economies, such as the East North Central area, indicate the least dependence on travel and tourism for employment. However, these regions still have a critical interest in the growth and prosperity of the travel industry as traditional sources of employment decline.

As an employer, the travel industry is a powerful economic development force in most states. Data Center studies show that travel and tourism generate more jobs than any other private industry in 13 states and is among the top three private employers in 37 states. In no state does travel rank lower than eleventh among the 69 private sector industries studied.

In every section of the country, public officials and business executives concerned with regional economic development should promote policies that encourage travel development and avoid those that impede tourism's unique abilities to stimulate a region's employment and economic development. And they should take advantage of our nation's outstanding transportation and hospitality infrastructure and develop local resources that can attract travelers and encourage them to stay.

Table VII-1 shows the annual return to the average U.S. community from investing in programs that bring in an additional 100 visitors per day. These additional visitors directly contribute to the economic vitality of the community through their expenditures.

And as their expenditures become business receipts, they generate additional purchases by businesses and employees, and additional income to the residents of the community. In the process, jobs and tax revenue are produced.

These estimates are illustrative of the benefits that can accrue to those communities that include travel and tourism development programs in their overall economic development strategies.

State governments have traditionally been quick to recognize tourism's economic development potential. Over the 1984-89 period, states doubled their tourism promotion and development budgets to top $320 billion in fiscal 1989. The average state spent $2.5 billion on advertising and more than $6.4 billion on tourism development overall.

State fiscal conditions tightened considerably over the last several years, with revenue trailing behind expenditure growth. One result is that state tourism development budgets grew only six percent in fiscal 1990, compared to the 16 percent annual average increase over the previous five years.

Table VII-1: Annual Impact of 100 Additional Visitors a Day on the Average U.S. Community, 1989 preliminary

Direct impact	Total impact*
$1,570,000 in retail and service industry sales to visitors	$2,990,000 in business receipts
$327,000 in wages and salaries	$757,000 in wages and salaries
29 new travel industry jobs providing additional income for 23 households with 60 residents	66 new jobs providing additional income for 53 households with 139 residents
$134,000 in state and local tax revenue, enough to support 33 school children	$217,000 in state and local tax revenue, enough to support 53 school children
Two more retail or service establishments	Five more retail or service establishments

*includes direct, indirect, and induced impact
Source: U.S. Travel Data Center

Ten states plan to cut their tourism promotion expenditures, led by Maine and Massachusetts with reductions of more than one-quarter form the previous year. Actions by states in New England and Mid-Atlantic regions will cut aggregate tourism budgets there. On the other hand, the states comprising the Pacific and two North Central regions plan to increase this spending at double-digit rates.

Despite the relatively small increase in state tourism budgets overall, some states will invest considerably more than previous years. Mississippi and West Virginia will nearly double their tourism development budgets in fiscal 1990, while Arkansas will post a 179 percent increase. This bodes well for economic development in these states.

VIII. CONCLUSION

The connection between travel away from home and the U.S. economy works in both directions. The vitality of the economy affects how often Americans travel for business and leisure reasons, determining how fast the travel industry grows. On the other hand, travel activity generates economic activity leading to jobs, income and tax revenue.

The 1989 economy was characterized by phlegmatic growth and steady inflation. While employment rose along with purchasing power, consumers invested less in durables, the traditional competitors with tourism for discretionary dollars. Yet they chose to increase their savings rate rather than boost travel away from home. Indeed, consumers elected to reduce the number of nights spent on vacation trips in 1989. The 1990 prospect is for more of the same.

Travel plays a constructive role in national, regional and local economies, and it serves no one's interests to idly watch it languish. There are obstacles to a vigorous rate of travel growth by Americans that can be alleviated in the immediate term and eliminated over the long run, if we have the will.

1. Air Travel Congestion

Since airline deregulation began eleven years ago, the number of airline passengers has doubled, growing by an absolute amount equal to our resident population. Yet during this period not a single new airport opened in any major metropolitan area, nor were existing airports expanded fast enough. As a result, 21 primary airports in the U.S. now each experience more than 20 thousand hours of flight delays annually at a yearly cost to airlines and businesses exceeding $5 billion. The Federal Aviation Administration forecasts that the number of airports suffering this level of delay will rise to 33 by 1997.

The blame is variously placed on inadequate airport capacity, the strain of adjusting to soaring demand, over-scheduling at major hubs, bad weather, and insufficient air traffic control capacity. Whatever the reasons, delays increase the hassle of travel and are sure to dissuade some from flying on their trips or traveling away from home at all. In this eventuality, all segments of the travel industry will lose and the American public will be worse off as well.

2. Highway Deterioration

Our Interstate Highway System, essential for the travel by automobile, light truck and recreational vehicle, is a victim of its own success. The 42,800 mile system accounts for only 5.2 percent of total mileage in the federal network but carries 27 percent of the traffic. This heavy and unanticapted use combined with inadequate investment in maintenance over the last decade has reduced the quality of the system to the point where more than forty percent of the pavement has fallen below minimum engineering standards.

The federal government estimates that the nation wastes 1.25 billion hours and 1.4 billion gallons of gasoline in traffic congestion on limited access highways each year. A significant portion of this is borne by those traveling away from home.

Highway congestion, delays, poor roads and deteriorating bridges certainly discourage some from traveling and impose significant time and money costs on others. This is a significant obstacle to tourism growth now that will become worse in the future if we do not redress it.

3. Tax Policies Toward Tourism

Taxes on travel and recreation continue to rise as federal, state and local governments search for ways to increase their revenues. State and local governments find tourism taxes especially appealing because they are paid by visitors -- people who do not vote in local elections.

This penchant to tax the traveler may be reaching the point of negative return. Each year, several states raise their gasoline excise tax rate, while the clamor to increase the federal rate is growing. And a number of airports and air carriers, as well as the current Administration, are encouraging Congress to repeal the prohibition on airport passenger facility charges (PFCs) so individual airport authorities can levy user fees on airline passengers.

International travelers are subject to even more taxes. International air travelers pay a $6 departure fee and many inbound visitors pay $10 each for custom and immigration inspections. Moreover, the current administration wants to impose an additional agricultural inspection fee of $1 to $3 and an extra $1 to help fund the U.S. Travel and Tourism Administration.

If tax authorities at all levels of government turn increasingly to tourism and the travel industry to balance their budgets, travel growth will stall and economic development stagnate in many parts of the country. We need a balanced approach to funding public

expenditure needs that spreads the pain and reduces the potential damage to economic growth and our favorable lifestyle to a minimum.

4. Commitment to Service

Service is not an attribute of the tourism product, it *is* the tourism product. Consumers distinguish between staying at a luxury resort and a seedy motel as they do between relaxing on the beach and having an appendectomy. They judge the tourism product by the quality of their experience with it.

Yet, too often customers encounter surly hotel front desk clerks, inattentive waiters, indifferent flight attendants, and uninformed travel agents. This phenomenon is as much an obstacle to tourism growth as congested airports and deteriorating highways.

The travel industry can directly improve its growth prospects by adopting a higher commitment to quality service. This means practicing the dictum, "The customer is king! (or queen)," not just repeating it. It requires management to train employees to provide exceptional customer service by their words as well as their actions. This level of commitment is achieved when every customer's expectations regarding a tourism experience is exceeded.

The travel industry needs to dedicate itself anew to providing the quality product that provokes the consumer to leave home and enjoy it.

There are other obstacles to accelerated growth of travel and tourism in America but these are particularly critical now. If travel and tourism activity and the industry that serves its are to reach their considerable potential contributions to the quality of life and economic well-being, industry should join with government to remove these impediments and help assure a future that is a joy to live, work and play in.

APPENDIX A: BASIC TRAVEL DATA

Table 2A: Business Receipts of Selected U.S. Travel Industry Sectors, 1979-1990f
($ billions)

Sector	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990f
Transportation												
Air*	$18.931	$23.405	$25.598	$25.488	$27.519	$31.437	$33.343	$33.846	$37.555	$41.963	45.320	48.100
Bus	1.664	1.709	1.809	1.854	1.965	2.035	1.989	1.890	1.826	2.036	2.100	2.100
Rail**	0.365	0.372	0.432	0.429	0.461	0.516	0.544	0.576	0.604	0.701	0.801	0.900
Lodging												
Hotel/motel	25.229	26.832	31.572	32.749	35.897	38.917	41.837	43.300	48.200	52.400	57.100	60.500
Foodservice												
Eating and drinking places	82.110	90.058	98.118	104.593	112.495	119.572	122.949	139.415	153.461	165.511	173.527	183.900
Entertainment/recreation												
Amusement and recreation services***	26.792	29.409	33.142	34.661	37.186	39.484	42.420	45.532	50.160	55.071	61.779	68.000
Travel industry	$155.091	$171.785	$190.671	$199.774	$215.523	$231.961	$243.082	$264.559	$291.806	$317.682	$340.627	$363.500
Gross national product	$2,508.2	$2,732.0	$3,052.6	$3,166.0	$3,405.7	$3,772.2	$4,014.9	$4,231.6	$4,524.3	$4,880.6	$5,234.0	$5,562.9

* U.S. scheduled carriers in domestic service
** Rail classification changed in 1980
*** 1972-77 receipts estimated by US Travel Data Center
p = preliminary
Note: details may not add to totals due to rounding.
Source: US Travel Data Center, based on data from the Air Transport Association of America, American Bus Association, Amtrak, National Restaurant Association, Smith Travel Research, Transportation Policy Associates, U.S. Bureau of the Census, U.S. Bureau of Economic Anlaysis, and U.S. Department of Transportation.

Table 28: Business Receipts of Selected U.S. Travel Industry Sectors in 1982 Dollars, 1979-1990f
($1982 billions)

Sector	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990f
Transportation	$25.381	$24.390	$24.032	$25.488	$27.707	$29.915	$33.149	$36.740	$39.270	$39.879	$39.974	41.600
Air*	1.909	1.888	1.868	1.854	1.764	1.695	1.640	1.633	1.585	1.592	1.640	1.600
Bus	0.514	0.463	0.490	0.429	0.437	0.468	0.492	0.515	0.551	0.586	0.607	0.640
Rail												
Lodging												
Hotel/motel	35.786	33.352	35.217	32.749	34.171	34.343	34.547	36.515	36.145	37.137	38.870	40.400
Foodservice												
Eating and drinking places	103.179	103.420	103.391	104.593	107.651	109.619	110.010	114.088	124.492	128.802	129.016	131.100
Entertainment/recreation												
Amusement and recreation services**	32.017	32.797	34.747	34.661	35.825	36.458	37.921	39.100	41.758	44.441	47.449	49.800
Travel industry	$198.786	$196.311	$199.745	$199.774	$207.555	$212.498	$217.759	$228.592	$243.802	$252.437	$257.557	$265.140
Gross national product	$3,192.4	$3,187.1	$3,248.8	$3,166.0	$3,279.1	$3,501.4	$3,618.7	$3,717.9	$3,853.7	$4,024.4	$4,144.1	$4,227.0

* U.S. scheduled carriers in domestic service
** Rail classification changed in 1980
*** 1972-77 receipts estimated by US Travel Data Center
p = preliminary
Note: details may not add to totals due to rounding.
Source: US Travel Data Center, based on data from the Air Transport Association of America, American Bus Association, Amtrak, National Restaurant Association, Smith Travel Research, Transportation Policy Associates, U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and U.S. Department of Transportation.

Table 2C: U.S. Domestic Intercity Transportation Activity, 1979-1990f
(billions of passenger-miles)

Sector	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989p	1990f
Common carriers												
Air*	212.7	204.4	201.4	213.6	232.2	250.7	277.8	307.9	329.2	334.2	335.0	345.1
Bus	27.7	27.4	27.1	26.9	25.6	24.6	23.8	23.7	23.0	23.1	23.8	23.3
Rail	5.0	4.5	4.8	4.2	4.2	4.6	4.8	5.0	5.4	5.7	5.9	6.2
Total	245.4	236.3	233.3	244.7	262.0	279.9	306.4	336.6	357.6	363.0	364.7	374.6
Auto/truck/RV**	895.7	881.3	893.9	906.8	919.9	944.2	975.3	1,001.8	1,015.5	1,056.6	1,102.0	1,146.1
Total all modes	1,141.1	1,117.6	1,127.2	1,151.5	1,181.9	1,224.1	1,281.7	1,338.4	1,373.1	1,419.6	1,466.7	1,520.7

*U.S. scheduled carriers in domestic service
**data reflect Federal Highway Administration road classification system changes in 1980.
p = preliminary
Note: details may not add to totals due to rounding.
Source: US Travel Data Center, based on data from the Air Transport Association of America, American Bus Association, Amtrak, Federal Highway Administration, and Transportation Policy Associates.

Table 2D: U.S. Travel Agency Locations, Airline Sales and Airline Commissions, 1979-1989p

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989p
Travel agency locations*	16,112	17,339	19,203	20,962	23,059	26,037	27,304	28,933	30,169	32,497	35,160
Agency airline sales** ($ billions)	$14.7	$18.1	$20.0	$21.8	$25.8	$29.8	$32.3	$32.6	$37.9	$42.4	$45.6
Agency airline commissions ($ millions)	$1,176	$1,533	$1,851	$2,061	$2,428	$2,837	$3,092	$3,164	$3,734	$4,193	$5,565
Airline passenger revenue ($ billions)	$22.8	$28.0	$30.7	$30.5	$32.7	$36.9	$39.2	$40.1	$44.9	$50.6	$53.4

*U.S. agency locations only
**includes credit card sales
p = preliminary
Source: US Travel Data Center, based on data from the Air Transport Association of America and Airline Reporting Corporation.

Table 2E: Major Consumer Durable Sales and Personal Income, 1979-89p

Consumer durable sales ($ billions)	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989p
Bldg. material & supply	$36.2	$35.0	$35.7	$35.1	$41.3	$47.1	$50.8	$56.5	$61.3	$66.6	$67.6
Motor vehicle dealers	151.9	137.7	153.0	162.9	198.0	236.2	263.1	284.5	298.8	323.8	328.5
Furniture & home furnishing	25.6	26.3	27.5	27.1	31.3	35.6	38.3	43.0	44.5	47.5	49.2
Appliance, radio & TV	12.9	14.0	15.4	15.8	19.3	21.5	25.1	27.0	27.1	30.5	32.7
Total	$226.8	$213.0	$231.6	$240.9	$289.9	$340.4	$377.3	$411.1	$431.7	$468.4	$477.9
Personal income ($ billions)	$2,034	$2,258	$2,521	$2,671	$2,839	$3,109	$3,325	$3,526	$3,778	$4,065	$4,427
Pleasure person-trips (millions)	813	683	843	788	786	734	807	861	902	928	946

NA = not available
p = preliminary
Source: US Travel Data Center, U.S. Bureau of the Census, and U.S. Bureau of Economic Anlaysis.

Table 3A: Travel Price Index and Its Components, 1979-1990f

(1982-84=100)

Component	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990f
Transportation	61.4	84.8	98.6	99.1	99.6	101.4	104.7	94.6	98.7	99.8	107.3	112.9
Airline Fares	49.2	68.0	85.6	94.4	99.8	105.8	112.5	117.1	122.8	124.2	131.6	136.9
Other Intercity Transportation*	63.6	73.1	84.2	92.0	100.0	107.9	114.7	125.5	126.7	132.6	138.5	144.7
Intracity Transportation**	60.6	69.7	85.8	95.9	99.0	105.2	107.7	115.8	118.8	121.7	125.2	129.0
Motor Fuel	70.1	97.4	108.5	102.8	99.4	97.9	98.7	77.1	80.2	80.9	88.5	94.3
Lodging While Out Of Town	66.4	75.8	84.5	94.2	99.0	106.8	114.2	118.4	125.7	132.9	138.4	143.9
Food and Beverages Away From Home	76.0	83.4	90.9	95.8	100.0	104.2	108.4	112.8	117.3	122.2	127.9	133.5
Entertainment/Recreation	79.1	83.8	88.0	93.4	100.0	106.7	112.8	117.9	124.4	127.7	137.5	145.1
Travel Price Index	69.3	81.2	90.4	95.5	98.9	103.6	108.4	109.0	114.9	119.5	125.8	131.5
Consumer Price Index	72.6	82.4	90.9	96.5	99.6	103.9	107.6	109.6	113.6	118.3	124.0	129.8

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* Includes bus and rail

** Includes mass transit and taxicabs

Note: Beginning with the release of data for January 1988, the Consumer Price Index (CPI) has shifted to a new reference base of 1982-84=100. Previously the standard base year was 1967=100. The Travel Price Index (TPI) has also been updat to be compatible with the CPI rebasing.

Source: US Travel Data Center, based on data from the U.S. Bureau of Labor Statistics.

Table 4A: Payroll Employment for Selected Travel Industry Sectors, 1979-1989p
(thousands)

Sector	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989p
Intercity highway passenger transportation	36.7	37.9	38.1	38.8	35.5	37.3	34.9	33.2	30.1	29.0	29.7
Air transportation	438.2	453.4	454.6	443.6	455.2	488.5	522.0	566.7	603.3	644.3	691.8
Eating and drinking places	4,513.1	4,625.8	4,749.5	4,831.2	5,041.8	5,388.0	5,709.2	5,916.2	6,105.8	6,281.8	6,369.9
Hotels, motels and tourist courts	1,019.9	1,037.7	1,076.4	1,092.8	1,131.1	1,221.3	1,289.9	1,337.6	1,427.0	1,503.6	1,548.9
Amusement and recreation services	712.0	763.5	783.6	799.2	817.7	803.6	840.4	863.9	892.5	918.3	975.6
Travel Industry	6,719.9	6,918.3	7,102.2	7,205.6	7,481.3	7,938.7	8,396.4	8,717.6	9,058.7	9,377.0	9,615.9
Total U.S.	89,823	90,406	91,156	89,566	90,200	94,496	97,519	99,525	102,200	105,584	108,581

p = preliminary

Source: US Travel Data Center, based on data from the U.S. Department of Labor, Bureau of Labor Statistics, SUPPLEMENT TO EMPLOYMENT AND EARNINGS, UNITED STATES, 1909-1984, August 1988; EMPLOYMENT AND EARNINGS, December 1988.

Table 4B: Payroll Employment for Selected Travel Industry Sectors, 1989, Monthly
(thousands)

Sector - 1989	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Average
Intercity highway passenger transportation (413)	29.5	29.6	29.2	29.5	29.6	29.7	30.1	29.5	30.2	30.4	30.4	29.6	29.7
Air transportation(45)	666.5	671.6	651.7	658.0	668.0	678.3	694.4	702.9	709.4	720.9	733.1	746.7	691.8
Eating and drinking places (58)	6,018.3	6,062.1	6,164.2	6,316.0	6,462.2	6,572.0	6,535.4	6,576.8	6,551.0	6,409.0	6,378.3	6,393.8	6,369.9
Hotels, motels and tourist courts (701)	1,468.3	1,477.9	1,501.4	1,525.7	1,551.2	1,619.1	1,635.5	1,633.1	1,600.0	1,548.5	1,517.5	1,508.1	1,548.9
Amusement and recreation services (79)	824.8	839.2	880.8	946.6	1,006.4	1,122.5	1,160.5	1,153.8	1,038.6	939.3	894.5	899.8	975.6
Travel Industry	9,007	9,080	9,227	9,476	9,717	10,022	10,056	10,096	9,929	9,648	9,554	9,578	9,616
Total U.S.	107,442	107,711	107,888	108,101	108,310	108,607	108,767	108,887	109,096	109,171	109,452	109,570	108,584

Source: US Travel Data Center, based on data from the U.S. Department of Labor, Bureau of Labor Statistics, SUPPLEMENT TO EMPLOYMENT AND EARNINGS, UNITED STATES, 1909-1984, August 1988; EMPLOYMENT AND EARNINGS, January-December 1989.

Table 4B: Payroll Employment for Selected Travel Industry Sectors, 1988, Monthly
(thousands)

Sector - 1988	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Average
Intercity highway passenger transportation (413)	28.7	28.2	28.0	28.3	28.4	29.0	29.3	29.7	29.6	29.8	29.7	29.5	29.0
Air transportation(45)	619.8	621.6	627.5	634.8	639.4	645.3	649.8	655.3	655.9	654.9	659.2	668.4	644.3
Eating and drinking places (58)	5,914.9	5,983.6	6,093.8	6,239.8	6,385.6	6,493.1	6,446.8	6,491.5	6,449.7	6,317.6	6,278.1	6,286.8	6,281.8
Hotels, motels and tourist courts (701)	1,395.9	1,413.2	1,433.2	1,459.8	1,492.5	1,578.4	1,600.3	1,601.1	1,562.1	1,523.2	1,497.5	1,486.1	1,503.6
Amusement and recreation services (79)	777.7	794.9	822.7	895.5	951.4	1,044.8	1,081.8	1,080.6	975.8	891.6	844.8	857.9	918.3
Travel Industry	8,737	8,842	9,005	9,258	9,497	9,791	9,808	9,858	9,673	9,417	9,309	9,329	9,377
Total U.S.	102,509	103,083	103,835	104,761	105,533	106,459	105,560	105,729	106,601	107,279	107,736	107,917	105,584

Source: US Travel Data Center, based on data from the U.S. Department of Labor, Bureau of Labor Statistics, SUPPLEMENT TO EMPLOYMENT AND EARNINGS, UNITED STATES, 1909-1984, August 1988; EMPLOYMENT AND EARNINGS, January-December 1988.

Table 5A: U.S. Travel/tourism Transportation Consumption of Petroleum, 1984-89p
(millions of barrels)

Sector	1989p	1988	1987	1986	1985	1984	1989 percent Distribution	1989/88 % change
Travel/tourism								
Certificated air (1)	351.5	356.7	347.6	321.4	300.0	283.6	5.6%	-1.4%
General aviation (2)	27.5	27.2	25.6	27.2	26.5	26.7	0.4	1.1
Intercity bus (3)	3.8	3.8	3.7	3.5	3.9	4.0	0.1	0.0
Amtrak (4)	2.1	1.9	1.8	1.7	1.7	1.6	*	7.3
Auto/truck/RV/motorcycle (5)	276.4	273.7	269.6	272.0	264.6	271.2	4.4	1.0
Total	661.3	663.3	648.3	625.8	596.6	587.2	10.5%	-0.3%
Local personal passenger vehicle transportation (5)	1,440.6	1,437.1	1,415.3	1,428.1	1,389.0	1,423.6	22.9%	0.2%
Other transportation (5)	1,857.4	1,726.5	1,765.4	1,672.3	1,615.8	1,544.9	29.5	7.6
Total transportation (6)	3,959.3	3,961.3	3,829.0	3,726.3	3,601.4	3,555.7	62.9	-0.1
Industrial (6)	1,555.9	1,551.1	1,553.5	1,486.9	1,462.9	1,500.2	24.7	0.3
Residential and commercial (6)	509.8	501.9	499.1	491.8	494.5	491.4	8.1	1.6
Electric utilities (6)	269.5	201.1	201.2	232.1	174.5	205.7	4.3	*
TOTAL PETROLEUM CONSUMPTION (6)	6,293.9	6,073.7	6,082.8	5,942.4	5,740.1	5,755.5	100.0%	3.6%

p = preliminary
*estimated at less than 0.05 percent
Note: details may not add to totals due to rounding.
Source: US Travel Data Center

(1) Estimated by the US Travel Data Center, based on Department of Transportation and Transportation Policy Associates data.
(2) Federal Aviation Administration.
(3) Estimated by the US Travel Data Center, based on Transportation Policy Associates data.
(4) Amtrak
(5) Estimated by the US Travel Data Center, based upon Federal Highway Administration data.

Table 5B: U.S. Domestic Consumption of Energy, 1987-89p
(quadrillion BTU)

	1989p	1988	1987	Percent 1989/88	Percent 1989p
Travel/tourism transportation	3.591	3.645	3.561	-1.5%	4.4%
Local personal passenger vehicle transportation	7.567	7.549	7.435	0.2%	9.3%
Motor gasoline	14.046	14.066	13.816	-0.1%	17.3%
Transportation	22.150	22.186	21.357	-0.2%	27.3%
Total domestic energy consumption	81.240	80.200	76.845	1.3%	100.0%

p = preliminary
Source: US Travel Data Center, based on data from Table 5A and U.S. Department of Energy, MONTHLY ENERGY REVIEW

Table 6A: U.S. International Travel Receipts, Payments, and Balance, 1984-89p
($ millions)

	1984	1985	1986	1987	1988	1989p
Receipts from foreign visitors in the U.S.	$17,753	$17,937	$20,454	$23,505	$29,202	$33,855
Payments of U.S. travelers in foreign countries	22,709	24,517	26,000	29,215	32,112	34,229
Balance on travel receipts less payments	($4,956)	($6,580)	($5,546)	($5,710)	($2,910)	($374)

p = preliminary
Note: ( ) represents deficit. Estimation method changed beginning in 1984 and earlier estimates are not comparable to these.
Source: Bureau of Economic Anaysis, U.S. Department of Commerce

Table 6B: U.S. International Transportation Receipts, Payments, and Balance, 1984-89p
($ millions)

	1984	1985	1986	1987	1988	1989p
U.S. passenger fare receipts from foreign travelers	$3,525	$3,844	$4,995	$6,121	$7,865	$9,899
U.S. passenger fare payments to foreign carriers	5,910	6,671	6,774	7,423	7,872	8,349
Balance on passenger fare receipts less payments	($2,385)	($2,827)	($1,779)	($1,302)	($7)	$1,550

p = preliminary
Note: ( ) represents deficit.
Source: U.S. Travel and Tourism Administration, U.S. Department of Commerce.

Table 6C: U.S. and World International Travel Receipts and Arrivals, 1984-89p

	1984	1985	1986	1987	1988	1989p
International travel receipts ($ billions)*						
United States	$17.8	$17.9	$20.5	$23.5	$29.2	$33.9
World	$110	$115	$139	$170	$194	$209
International arrivals (millions)						
United States**	26.9	25.7	26.3	29.7	34.2	38.3
World	312	326	334	360	392	404

* excludes international passenger fare payments
p = preliminary
Source: U.S. Travel and Tourism Administration, U.S. Department of Commerce, World Tourism Organization

Table 6D: Expenditures by Selected National Government Tourism Organizations, 1988

Rank	Country	Expenditure ($ millions)
1	Italy	$908.0
2	Yugoslavia	453.0
3	Brazil	342.9
4	Peru	291.0
5	Greece	98.0
6	Spain	78.8
7	Austria	56.0
8	Turkey	53.0
9	Canada	46.7
10	Malaysia	43.9
11	Ireland	39.3
12	Tunisia	39.3
13	United Kingdom	34.8
14	Singapore	30.0
15	Bahamas	29.7
16	Australia	28.0
17	Netherlands	27.8
18	India	21.9
*		
28	United States	11.7

*Expenditures by Mexico, France, Germany, Denmark, Sweden and Israel were not reported but all are expected to rank higher than the United States.

Source: Travel and Tourism Government Affairs Council

Table 6E: Top Ten Countries in International Visitor Receipts, 1988 ($ millions)

Country	Visitor Receipts	Resident Expenditures	International Travel Payments Balance
United States	$29,202	$32,112	($2,910)
Spain	16,686	2,440	14,246
France	13,783	9,712	4,071
Italy	12,399	6,053	6,346
United Kingdom	11,023	14,650	(3,627)
Austria	8,520	4,842	3,678
West Germany	8,449	25,036	(16,587)
Switzerland	5,615	5,019	596
Canada	4,655	6,316	(1,661)
Hong Kong	4,166	NA	NA
Total of top ten	$114,498	$106,180	$4,152
Percent of world	59%	55%	

NA = not available

Source: World Tourism Organization, COMPENDIUM OF TOURISM STATISTICS 1988, CURRENT TRAVEL AND TOURISM IN THE WORLD

Table 7A: U.S. Resident Travel by Destination Region, 1989
(millions of person-trips)

Census Regions	1989	1989/88 change
NEW ENGLAND Connecticut, Maine, Massachusetts New Hampshire, Rhode Island, Vermont	45.7	0.7%
MIDDLE ATLANTIC New Jersey, New York, Pennsylvania	120.0	-4.3%
SOUTH ATLANTIC Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina Virginia, West Virginia	281.4	21.3%
EAST SOUTH CENTRAL Alabama, Kentucky, Mississippi, Tennessee	79.2	6.3%
EAST NORTH CENTRAL Illinois, Indiana, Michigan, Ohio, Wisconsin	149.1	-9.8%
WEST NORTH CENTRAL Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota	94.8	-0.3%
WEST SOUTH CENTRAL Arkansas, Louisiana, Oklahoma, Texas	130.6	-5.6%
MOUNTAIN Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming	113.4	13.9%
PACIFIC Alaska, California, Hawaii, Oregon, Washington	162.8	-11.1%
U.S. TOTAL	1,177.0	1.6%

Note: details may not add to totals due to rounding.
Source: US Travel Data Center's National Travel Survey

Table 7B: Travel Expenditures by U.S. Residents
and Employment Generated, by Census Region Visited, 1987

Census Regions	Travel expenditures ($ millions)	generated employment (thousands)
NEW ENGLAND Connecticut, Maine, Massachusetts New Hampshire, Rhode Island, Vermont	$16,132	269
MIDDLE ATLANTIC New Jersey, New York, Pennsylvania	42,155	685
SOUTH ATLANTIC Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina Virginia, West Virginia	56,858	1,096
EAST SOUTH CENTRAL Alabama, Kentucky, Mississippi, Tennessee	10,366	215
EAST NORTH CENTRAL Illinois, Indiana, Michigan, Ohio, Wisconsin	34,440	657
WEST NORTH CENTRAL Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota	17,638	359
WEST SOUTH CENTRAL Arkansas, Louisiana, Oklahoma, Texas	24,401	441
MOUNTAIN Arizona, Coloredo, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming	25,952	538
PACIFIC Alaska, California, Hawaii, Oregon, Washington	47,217	778
U.S. TOTAL	$275,158	5,038

Note: details may not add to totals due to rounding.
Source: US Travel Data Center

APPENDIX B: U.S TRAVEL INDUSTRY TERMINOLOGY

FOR STATISTICAL REPORTING

Adopted by the Board of Trustees
of the US Travel Data Center
on December 13, 1985

1. "Travel Industry" -- an inter-related amalgamation of those businesses and agencies which totally or in part provide the means of transport, goods, services, accommodations, and other facilities for travel out of the home community for any purpose not related to local day-to-day activity.

2. "Travel" -- the actions and activities of international and domestic travelers (as defined below) taking trips to places outside their home communities for any purpose except commuting to and from work or attending school.

3. "Tourism" -- synonymous with "travel".

4. "International Traveler" -- any person visiting a country other than that in which he (she) has his (her) usual place of residence for at least 24 hours but not more than one year, and whose main purpose of visit is other than following an occupation renumerated from within the country visited, and the purpose of whose trip can be classified under one or more of the following categories:

pleasure	business
recreation	commerce
holiday	meeting
sport	conference
religion	convention
shopping	trade show
vacation	health
visiting friends or relatives	study

5. "International Excursionist" -- travelers, as defined in 4 above, staying less than 24 hours in the country visited (including cruise passengers).

6. "International Tourist" -- synonymous with "international traveler".

7. Domestic Traveler" -- any resident of the United States regardless of nationality who travels to a place 100 miles or more away from home within the U.S. or who stays away from home one or more nights in paid accommodations, and who returns home within twelve months, except commuting to and from work or attending school. This includes trips that can be classified under one or more of the following purpose categories:

pleasure	business
recreation	commerce
holiday	meeting
sport	conference
religion	convention
shopping	trade show
vacation	health
visiting friends or relatives	study

8. "Domestic Excursionist" -- any person who travels more than 25 miles away from home one way but less than 100 miles and returns home the same day for any purpose except commuting to and from work or attending school, including trips that can be classified under the categories defined in 7 above.

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